

In association with

Kurt Salmon 

In the first of our quarterly sentiment analysis reports, **Laura Heywood** assesses the mindset of the UK's foremost retail bosses

Taking retail's

Cautious optimism' was the phrase that best summed up the mood of *Retail Week's* Retail 2015 report. Published earlier this year and based on in-depth anonymous interviews with 25 chief executives of leading retailers, the report revealed that the influential men and women at the top of the most successful retailers believe the UK is through the worst of the economic turmoil.

But despite predictions in January that sales and consumer confidence would improve in

2015, have subsequent market, economic and political realities meant that sentiment still applies three months on?

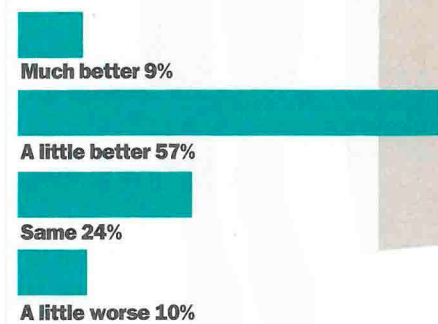
In an effort to gauge how retail chiefs' views on trading and consumer confidence shift throughout the year, *Retail Week*, in conjunction with our Retail 2015 partner Kurt Salmon, set out to conduct an extensive sentiment analysis.

By asking the same multiple choice questions to more than 100 of the industry's leading chief executives and directors, our aim is to provide an in-depth snapshot of the retail mood at key points throughout the year.

Consumer

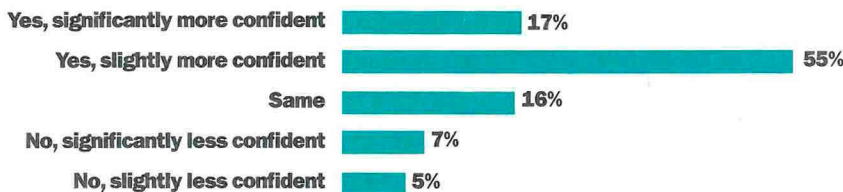


What's the mood like amongst your customers compared to this time last year?



Economic sentiment

Do you feel more confident in the state of the economy than this time last year?



***** Given that retail is the UK's biggest private sector employer and a key driver of economic prosperity, it is encouraging that retail bosses are reporting increased confidence in the state of the economy compared to this time last year.

It is reassuring that 17% of chiefs reported significantly higher levels of confidence – something Helen Mountney, managing director at Kurt Salmon UK and Ireland, puts down to improving economic indicators.

“Chief executives are consumers themselves, so are being positively influenced by the news of the improving economic indicators such as increased employment levels, the associated growth in tax receipts and prospects for the reduction in the deficit,” she says.

“Combine this with improvements in their sales relative to last year and it is not surprising to see a consolidation in their levels of confidence.”

The confidence of 16% of respondents has not changed. It will be interesting to compare

that figure in June in the second instalment of this sentiment analysis, when the results of the general election will be known.

Political uncertainty over the future of the UK economy appears to be mounting ahead of the election, and there is no doubt the result will have wide-reaching consequences for the retail industry – not to mention the UK's continued economic recovery and future success.

As Mountney says: “As it draws closer, the polarities between the parties' positions will increase and this will have an impact on the confidence of both UK retail chiefs and consumers.”

“While many retailers favour the economic policy associated with the Conservatives, its success would trigger a referendum in 2017 on the membership of the EU – something most businesses do not want to happen.”

“Conversely, Labour is seen by many as pushing an agenda that may be harmful to business generally.”

“It is not surprising to see a consolidation in levels of confidence”

For the full Retail 2015 report, visit
guides.retail-week.com/116.guide



temperature

sentiment



Low inflation, an end to real wage decline, healthy credit markets and strong employment have contributed to a brightening consumer mood in the first quarter of 2015.

Our findings certainly back up the view that consumer confidence is returning. More than half of the retail leaders (57%) surveyed reported customer mood is a little better compared to this time last year, while 9% said it is much better.

Although 24% reported no visible change, it is reassuring that only 10% believed the mood is worsening slightly, and none of those interviewed thought it is much worse.

The findings support GfK's UK Consumer Confidence Index, which showed in February

“The hunkering down and the focus on cost management of the past few years will diminish”

that consumer confidence has remained at 1 for the month, following a slip in December 2014.

Looking forward, returning consumer

confidence is likely to be reflected in retailers' strategies, investment plans and operational decisions in 2015.

“Subject to the results of the general election, Kurt Salmon would expect to see an increasingly marked shift in emphasis among the retail community,” Mountney forecasts.

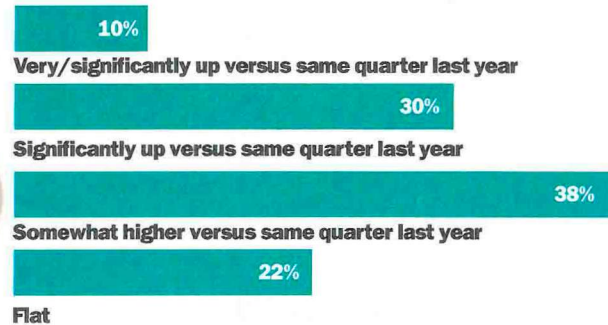
“The hunkering down and the focus on cost management of the past few years will diminish, although operational cost management will not disappear – like consumers, a frugal approach to commerce is now a way of life. In the same way that consumers are now considering larger purchases, we expect to see retailers make investments in the longer-term health of their businesses.”

Investment is likely to be in digital capabilities, as retailers compete to connect with their consumers on a one-to-one basis. “This will trigger further change in how retailers operate, so we need to be prepared for another spurt in innovation, new types of competition and further structural change,” Mountney predicts.

M-commerce trends



How has the proportion of your sales from mobile developed in the last quarter?



Retail 2015 spoke volumes about the importance retailers will place on investment in multichannel integration this year, and mobile ranked as the top omnichannel priority for 67% of retail bosses.

But how big could m-commerce growth be? This sentiment analysis sought to answer that question by asking chiefs to put a figure on their mobile sales growth. Of the 109 chiefs interviewed, 87 were able to track their mobile sales as separate from bricks-and-mortar sales, and shared details of the growth.

Modest growth appears to be the norm for the majority of retail bosses – 38% said mobile sales are somewhat higher (ie, less than 10%) versus the same quarter last year. It is encouraging that 30% revealed mobile sales are significantly up versus the same quarter last year, putting the figure at between 10% and 20% growth. Similarly, only 22% said sales are flat.

Among the retail chiefs we spoke to, 10% said they are seeing higher growth in the 20%-plus bracket – a clear sign that mobile is one of the biggest opportunities retailers have in light of consumers' ‘always-on, always-connected’ mentality.

As long as attracting and retaining top digital talent

continues to be a priority for retailers in the months ahead, there is no reason to assume retailers' innovation in mobile technology, and share of mobile sales, won't continue to rise. That assertion is borne out in the research, which shows none of the bosses surveyed have witnessed lower mobile sales than last quarter.

Mountney emphasises the importance retail chief executives must now place on recruitment of digital talent to push the mobile revolution.

“The fashion sector, which appeals to a younger demographic, has already acknowledged its customers are younger, tech-savvy individuals, who are more at ease with a culture of innovation, who tend to operate instinctively from a mobile platform, who can quickly create and test apps and who are at home with the idea of interacting with customers via social media.

“This description rarely characterises a retail chief and as such it is incumbent upon them to bring in the best people who can deliver on their behalf,” she says.

It's certain that the potential impact of the smartphone on the in-store shopping experience will be a key area of innovation and development in the coming months, and is sure to be reflected in the results of the next sentiment analysis in June.

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