

SENTIMENT

Three months on from the first of Retail Week's quarterly sentiment analysis reports, how have the views of the UK's top retail bosses shifted in the second quarter? **Laura Heywood** reports

Taking retail's

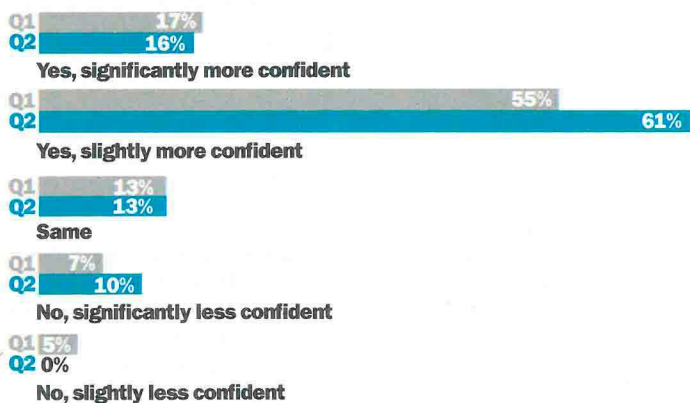
Retail bosses' experiences of recent trading and consumer confidence are intrinsically linked to factors frustratingly outside their control. From the results of the general election and when the EU referendum will happen, to the onset of unseasonably cooler weather, all are influences that have a dramatic impact on the mood of shoppers and the industry.

So how have chief executive attitudes shifted since the end of March when *Retail Week*, in conjunction with our Retail 2015 partner Kurt Salmon, revealed the results of its first quarterly sentiment analysis?

The outcome of the election was unexpected, but what impact has David Cameron's win had on shopper confidence, retail sales and the strategies of the UK's foremost retail bosses – not to mention the multitude of other external factors they are grappling with?

Economic sentiment

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



***** In the first instalment of *Retail Week's* sentiment analysis in March, 55% of retail bosses said they were slightly more confident in the state of the economy compared with the same time the previous year. At that time, political uncertainty over the economy was mounting ahead of the election. So now the votes have been counted and the Tory Government is ensconced in power, how has this outcome impacted on views of the UK's economic recovery and future success?

In the second quarter, 61% of chief executives said they were slightly more confident in the state of the economy compared with this time last year, while 16% were significantly more confident. This level of retailer confidence is a reflection of many of the key economic indicators that continue to move in the right direction, according to Helen Mountney, managing director of Kurt Salmon UK and Ireland.

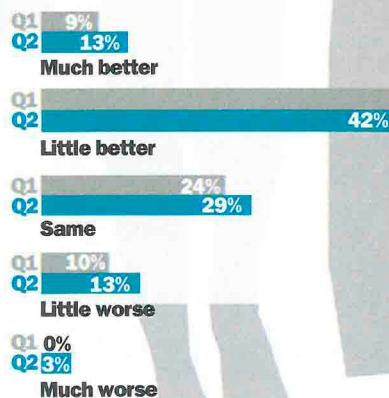
She says: "Britain is among the fastest growing economies in the world, employment is rising and consumers are benefiting from negligible levels of inflation, especially in groceries and petrol. This will eventually trickle through to improved consumer confidence."

"The recent relaxation of annuity rules has meant that many pensioners, who already enjoy higher levels of disposable income, will be in a position to increase their discretionary expenditure even further. We are already seeing signs that consumers are less inclined to postpone major items of expenditure. Many retailers reported sales in May were ahead of expectations."

It would appear that these factors combined are leading to greater confidence among retail chief executives. It will be telling if that sense of buoyancy not only remains, but continues to mount in the third quarter.

Consumer

What is the mood like among your customers compared with this time last year?



For the full Retail 2015 report, visit Retail-week.com/retail2015



temperature

sentiment



Data released last month by the Office for National Statistics (ONS) showed UK retail sales growth slowed to 0.2% in May following a strong rise of 0.9% in April.

It recorded clothes sales down 1.6% between April and May, the biggest drop since September. Analysts attributed the dip to cooler-than-expected weather, which meant shoppers were put off buying summer clothes.

When unseasonable weather occurs, other categories from DIY to food are also impacted, and that can have a dramatic effect on consumer spending and mood.

In the first quarter, more than half of the retail leaders (57%) surveyed reported customer mood was a little better than in the same period last year, while this quarter it dropped to 42% – which indicates a sense of dampening consumer mood. Similarly, this quarter 13% said the consumer mood is a little worse, compared with 10% in the first quarter, and 3% said it is much worse compared to 0% in quarter one. It is certainly feasible the colder weather in April and May contributed towards this trend.

On the flip side, 13% said the consumer mood is much better, compared with 9% in the first quarter, suggesting a polarisation of consumer mood, perhaps caused by ongoing uncertainty about a new and relatively unproven majority government.

Mountney says: "Taken together, these results suggest that consumers are in a thoughtful mood and rightly so because there is a lot to think about. Namely, a majority government, which had not been expected, the uncertainty associated with the EU referendum and, more pressingly, UK consumers are weighing up prospect of £12bn of future cuts to government expenditure."

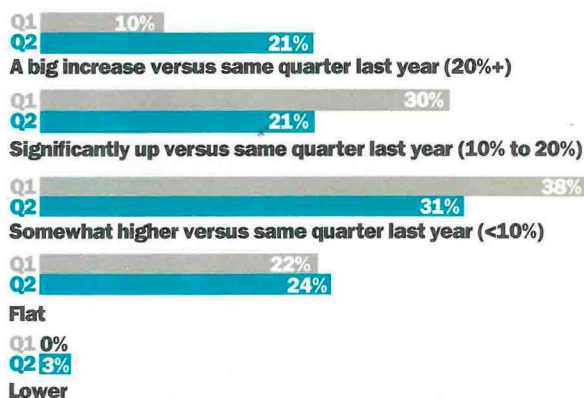
On balance, however, there are lots of reasons to be cheerful about the prospects for the retail industry. "Most UK retailers, having survived the last few years, are in good shape and are increasingly focused on keeping pace with rapidly changing consumer expectations," according to Mountney. "We have a very talented workforce and a rapidly developing tech sector that will improve and define new customer experiences."

Such factors bode well for the future growth of retail.

M-commerce trends



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



The answers from the second quarter survey are a clear sign that mobile is one of the biggest opportunities retailers have to grow sales and market share. Of the bosses *Retail Week* spoke to, 21% said they are seeing higher growth in the 20%-plus bracket for mobile sales, compared with 10% in the first quarter, demonstrating a strong shift in sentiment among the retail community and a greater reliance on m-commerce.

Similarly, 21% said mobile sales are significantly up (10% to 20%) versus the same quarter last year.

"Evidence like this supports the view that our industry is in a structural shift and there's no doubt that, if we are seeing fewer visits to the high street, m-commerce is the channel exhibiting the biggest rates of growth," Mountney says.

"With the growth in confidence among chief executives we are likely to continue to see growth in the rate of investment in general terms and in m-commerce specifically."

But for businesses to be

successful in delivering mobile-first strategies, a commitment to continuously testing their sites and responding to customer feedback is critical.

Retailers must make sure the mobile proposition is a seamless part of the customer's omnichannel journey.

Joining up in-store and online experiences should be bosses' number one priority. As Mountney says, despite all the hype around mobile and online sales, stores remain pivotal to a retailer's success, accounting for 88% of UK retail sales. While m-commerce is a top priority for investment by retailers, "the benefits associated with any business case are multiplied when retailers create an environment where there are no barriers between the shopping channels".

"Our industry is in a structural shift and there's no doubt that m-commerce is exhibiting the biggest growth" Helen Mountney