

## SENTIMENT

In the third of Retail Week's quarterly analysis reports, we ask whether the mood among the UK's top retail bosses has changed. **Laura Heywood** reports

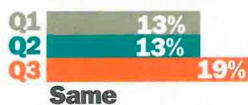
## Global economy rat

**A**s the dust settled following the Conservative election victory, the fight for the top Labour job has dominated headlines over the past few months, while migrant and refugee chaos across Europe has diverted attention away from the European referendum. But have such factors had an impact on UK retail?

The third-quarter sentiment analysis, produced in conjunction with *Retail 2015* partner Kurt Salmon, looks at whether anticipation of the historically Eurosceptic Labour politician – and now party leader – Jeremy Corbyn stepping to the forefront of UK politics, combined with intense coverage of the Syria crisis, mass migration and wet weather, have taken their toll on the mood of retail bosses and consumers over the past three months.

## Economic sentiment

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



Confidence in the state of the economy among retail bosses has dipped compared with the second quarter.

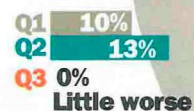
In July, the second-quarter analysis revealed 61% of chief executives were slightly more confident in the state of the economy compared with last year, while 16% were significantly more confident. In the third quarter, subdued by a wet summer, confidence among bosses has dropped,

and 45% are slightly more confident in the state of the economy compared with last year.

The percentage of bosses reporting they are significantly less confident in the economy has increased 6% compared with the second quarter. Global factors, such as the slowdown in the Chinese economy and the potential increase in US interest rates, are likely to be weighing on their minds, comments Helen Mountney, managing director of Kurt Salmon UK and Ireland.

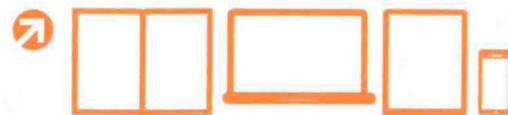
## Consumer

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](http://Retail-week.com/retail2015)



# How it affects retailers' mood

## sentiment



Official figures suggest the wet summer weather took its toll on consumer spend over the past three months.

The Office for National Statistics revealed that the rate of UK Consumer Prices Index inflation fell to 0% in August, confirming that the prices households pay for goods and services were unchanged on a year ago, compared with a 0.1% rise in the year to July.

With inflation now having been flat or negative for five out of the past seven months and some way off the Bank of England's 2% inflation target, business analysts are bemoaning the threat of deflation, which could cause consumers to delay spending in anticipation of further price cuts. But is this worrying trend reflected in retail bosses' perception of consumer attitudes?

Apparently not, according to those asked for this sentiment analysis. The number of bosses who say the mood among their customers has improved is higher than the last quarter. Nearly a fifth (18%) say the consumer mood is much better, compared with 13% in the second quarter and 9% in the first quarter.

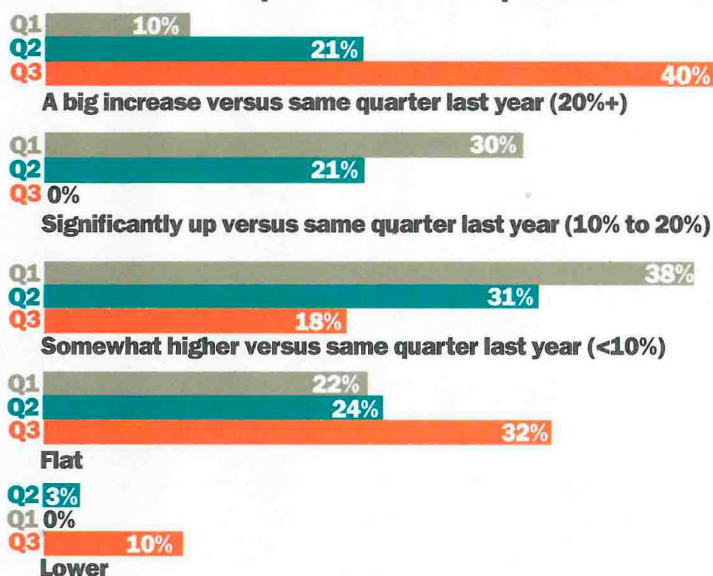
Mountney believes the economy is contributing to increasing confidence among UK consumers. "What's really interesting is that retail chief execs are having to balance their concerns associated with the global economy with the improvements in many economic indicators here in the UK.

"The past 12 months have been good for the average person on the street. The UK is likely to be among, if not the fastest growing, economy in the G7, employment is back up to pre-recession record highs, and the average weekly earnings for UK workers increased by 2.9% in the three months to July, the fastest rise since back in 2009. This is expected to have a positive impact on the inflation rate here at home, which will be welcome news for those retailers that have struggled with deflation in recent times," she says.

As the seasons shift and the leaves turn brown, retailers should continue to see a boost in spend and mood as consumers begin to invest in new lines for their winter wardrobes.

## M-commerce trends

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



M-commerce continues to be the golden child of ecommerce. The number of bosses who say they have seen the proportion of sales from mobile grow – in the 20%-plus bracket – has doubled to 40% in the third quarter compared with 21% in the second.

Mobile sales are clearly still a huge area of potential for retailers, and they need to carefully decide where to invest, be it in app development or mobile-compatible websites.

Interestingly, in this third quarter, no one says mobile sales were significantly up (10% to 20%) versus the same quarter last year, compared with 21% in the second quarter. Mobile sales are reported to be flat by a third of bosses.

Retailers need to think about how to ensure their investment in mobile technology continues to work for them, bringing in growing sales. Helping keep mobile sales buoyant could also entail a review of supply chain operations to guarantee customer

expectations of fulfilment are being met.

"In a recent survey of fashion retailers across the UK, France and Germany, we found that there is more that can be done to improve the customer mobile experience. We are also forecasting a growth in the proportion of online sales which will be from mobile," Mountney says.

The survey also finds only 73% of fashion retailers have a mobile app – meaning 27% are losing out on the fastest growing channel in the market. "The functionality of the mobile apps which do exist tended to compare less favourably to the retailer's main website – a clear call to action ensures the mobile sales opportunity is optimised," Mountney concludes.

**"We are forecasting growth in the proportion of online sales which will be from mobile"**

**Helen Mountney, Kurt Salmon**