

Retail

Supermarkets take the lead in battle of the high street

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A string of results this week laid bare the uncertainty facing UK retailers. While supermarket chains notched up bumper food sales, revenue growth in clothing was sluggish or worse for some on the high street.

Wm Morrison, J Sainsbury and Tesco all reported year-on-year rises in grocery sales, especially in the week before Christmas. But, while Tesco posted its best Christmas revenues for eight years, it missed analyst expectations.

Meanwhile, shoppers shied away from splurging on clothing and general merchandise, with Sainsbury's chief executive Mike Coupe saying: "Where people can defer their purchases, they do." This was a trend evident elsewhere.

Mothercare on Monday lost more than a quarter of its market value after the children's goods retailer warned of a sharp drop in profits fol-

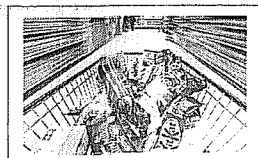
lowing a 7.2 per cent slide in revenues in the 12 weeks to December 30 year on year. It said stagnant wages and a November interest rate rise had prompted a "sudden shift" in customers' willingness to spend.

In contrast to the big grocers, Marks and Spencer revealed lower same-store sales at its high-end food business. Sales of clothing fell 2.8 per cent on a like-for-like basis, more than double the rate of decline seen in the previous quarter, as a warm October hit sales. "Consumers are behaving in a recessionary way," said Steve Rowe, chief executive. "Their budgets under pressure. Inflation in food, petrol — that eats straight into it."

John Lewis, the upmarket retailer, increased Christmas sales but warned this came at the expense of margins.

House of Fraser became the latest UK department store to report a difficult Christmas trading period with revenues, with even online sales in decline.

Suit seller Moss Bros became the third UK retailer to issue a post-Christmas profit warning but the same day, upmarket fashion brand Ted Baker and premium leisurewear retailer Superdry reported robust festive trading. Casual wear chains Fat Face and Joules also posted healthy festive sales.



Wm Morrison, Sainsbury and Tesco reported year-on-year rises in grocery sales, while suit seller Moss Bros issued a post-Christmas profit warning

