



RETAIL EXCELLENCE CHRISTMAS TRADING STATEMENT PART 2

Period 1: 20th to 24th December 2017

THE HEADLINES:

Calling it – Christmas 2017 will trade on a par with Christmas 2016. This is somewhat disappointing as we had very much hoped to see some marginal gains. Contributory factors include:

- A less than robust final week of consumer activity
- With Christmas Eve falling on a Sunday the concern is that it won't trade as robustly as had it fallen on another day due to curtailed public transport and restricted opening hours in Northern Ireland (prohibited from opening before 13.00)
- Significant leakage of spend to .Co.UK websites. Approximately €300m was spent by Irish consumers with UK online merchants in December 2017
- The busiest ever Black Friday period which sucked a sizable proportion of conventional Christmas demand into that period

Predictability – The only predictable thing about the Irish Retail Industry is that you cannot predict what any given week will deliver. Retailers are reporting the best weeks trading in history followed by the worst. This lack of predictability means that it is impossible to set open to buy budgets and accurately plan labour schedules.

An Online Christmas – 2017 will be remembered as the online Christmas. Most merchants are reporting an average of over 30%+ increase in like for like online trading. Logistics companies are reporting a 40%+ increase in online packages, most of the increase being accredited to parcels coming in from the UK. That said Irish retailers are fighting their corner online and they will enjoy their busiest online trading period ever.

FURNITURE & FLOORING

Period 2: 20th – 24th December 2017

As expected there has been no change to trading patterns for furniture and flooring. This sector is more dependent on the earlier part of Q4 than the latter part. Our predicted like for like trading outcome remains unchanged.

PREDICTED LIKE FOR LIKE SALES DECEMBER 2017 VERSUS DECEMBER 2016 – Significantly Up

Period 1: 1st - 19th December 2017

The week ahead is of little importance to this sector as operators prepare for a very important January sales period. The Q4 2017 period has been one of the most robust for furniture and flooring retailers as consumers appear after a lengthy period of home improvement hibernation. While the level of housing fluidity is not what it should be, most consumers have not invested in home refurbishment for some time, but that is beginning to change. There is a real momentum now building in this sector and the outlook for 2018 is a positive one.

PREDICTED LIKE FOR LIKE SALES DECEMBER 2017 VERSUS DECEMBER 2016 – Significantly Up

CONSUMER ELECTRONICS

Period 2: 20th – 24th December 2017

We are hearing that expected demand for low ticket stocking fillers has not materialised as was hoped. That said the vast majority of demand expected by this sector materialised and especially so over Black Friday. For that reason, our trading assessment remains unchanged.

PREDICTED LIKE FOR LIKE SALES DECEMBER 2017 VERSUS DECEMBER 2016 – Up

Period 1: 1st - 19th December 2017

Consumer Electronics retailers now live with the “twin peaks” of demand at this time of year. Peak one is Black Friday, which proved the busiest ever for every CE retailer in the country. We have yet to speak to a consumer electronic retailer who did not enjoy their busiest Black Friday weekend in trading history. The second peak is Christmas and judging by trading activity experienced in the past week, most operators are bullish about the period. All CE categories are performing reasonably, however white goods are outperforming other categories due to increased home renovation and refurbishment activity. That said last and this week are all about IT,

home appliance, technology and brown goods categories which are all reported to be trading up.

PREDICTED LIKE FOR LIKE SALES DECEMBER 2017 VERSUS DECEMBER 2016 – Up

TELECOMMUNICATIONS

Period 2: 20th – 24th December 2017

Trade across the telecommunications sector has picked up over the past week. Sales of pre-pay handset have increased as part of those last-minute Christmas present options but in general sales figures across December are marginally down compared to 2016. In large part increased competition has contributed to the declines with smaller pop-up phone shops selling products cheaper along with other online sites offering special offers which are not always possible to match.

PREDICTED LIKE FOR LIKE SALES DECEMBER 2017 VERSUS DECEMBER 2016 – Marginally Down

Period 1: 1st - 19th December 2017

The general feedback across the telecommunications sector is that trade is slightly down based on 2016 sales figures. There has been a noticeable uplift in higher ticket items such as iPhone products. While competitive pricing strategies across the sector has benefitted consumers, retailers remain under pressure to retain profit margins. Retailers have reported Bill-Pay handsets to have overtaken Pre-Pay models with many operators hopeful that the next few days will see positive footfall and sales generated in the lead up to Christmas.

PREDICTED LIKE FOR LIKE SALES DECEMBER 2017 VERSUS DECEMBER 2016 – Marginally Down

BEAUTY & PHARMACY

Period 2: 20th – 24th December 2017

The expected last-minute rush has materialised to some degree as consumers get into self-gifting and pampering mode. Hampers have sold well, but premium cosmetics and fragrances are still a challenge to sell through. Our trading assessment remains unchanged for Beauty and Pharmacy.

PREDICTED LIKE FOR LIKE SALES DECEMBER 2017 VERSUS DECEMBER 2016 – Marginally Up

Period 1: 1st - 19th December 2017

It has been a volatile month to date for the Irish Pharmacy sector. With continued and unsustainable Government pressure on dispensing fees most pharmacies are more focussed on retail sales than ever before. There has been a noticeable willingness by pharmacy customers to spend a bit more this Christmas, however this is only to a point and premium cosmetics and fragrances are trading marginally back on last year. Pharmacy had its most buoyant Black Friday weekend with most operators now fulsomely embracing all things online. The week ahead is the most important in the year, especially for community pharmacy, when people come home for Christmas and the sector benefits from last minute self-gifting and pampering and men come out to buy that last-minute beauty hamper for the special women in their lives.

PREDICTED LIKE FOR LIKE SALES DECEMBER 2017 VERSUS DECEMBER 2016 – Marginally Up

GROCERY & ALCOHOL

Period 2: 20th – 24th December 2017

The last week has performed well for Grocery and Alcohol sales. There has been a very noticeable move by Irish consumers to premium food ranges. Some grocery operators are concerned about out of stocks especially for important categories such as desserts and confectionery. Our trading assessment for grocery and alcohol remains unchanged.

PREDICTED LIKE FOR LIKE SALES DECEMBER 2017 VERSUS DECEMBER 2016 – Up

Period 1: 1st - 19th December 2017

Grocery and alcohol retailers have had a reasonable month to date with the early part of December trading well, followed by a quieter period until last week, when things picked up again. Noticeable trends in grocery this year is the continued consumer demand from premium and fresh ranges. While consumers will be very price focussed when buying ambient, they are willing to splurge a little on Christmas dinner and all the trimmings. Wine sales are up over 5% like for like with most other alcohol categories also trading up but on a more marginal basis. Those grocers who are executing an engaging “fresh” offer fifty-two weeks a year will enjoy a very robust week ahead, a week when fresh is most important in the mind of the Irish consumer.

PREDICTED LIKE FOR LIKE SALES DECEMBER 2017 VERSUS DECEMBER 2016 – Up

LADIESWEAR

Period 2: 20th – 24th December 2017

There have been mixed reports coming from the ladieswear sector this week. Some are reporting steady trading with others reporting significant reductions in spend. Trading on Thursday, Friday and today has been disappointing in some towns with retailers reporting that rain downfalls kept consumers away. Some retailers have decided to go into sale now to keep the cash coming in for the next few days. We are amending our trading assessment for ladieswear. At best this sector will trade on a par with last year.

PREDICTED LIKE FOR LIKE SALES DECEMBER 2017 VERSUS DECEMBER 2016 – Parity

Period 1: 1st - 19th December 2017

Black Friday was a highly successful weekend for the ladieswear sector generally. Even those who aren't trading online, gained on the back of it by delivering clever in-store offers. As with menswear, retailers are reporting that the demand for cheap and cheerful is fading and there's a strong, clear message that quality is back. Some retailers are quoting year on year double digit increases during this period. There is a very definite message coming across that retailers generally are 're-training' customers on the issue of pre-Christmas sales this year, there is a focus on 'promotions' rather than across the board panic sales to clear stock. Sales of accessories are still strong and as always, delivering good margin. The sentiment for the week ahead is that there is everything to play for and the likelihood is that they will finish the year on a high.

PREDICTED LIKE FOR LIKE SALES DECEMBER 2017 VERSUS DECEMBER 2016 – Up

FOOTWEAR

Period 2: 20th – 24th December 2017

There has been no real change to trading this week. Trading is on a par with this time last year. It would seem that Men's footwear spend is up while Ladies spend is marginally down against this time last year. Some retailers have gone into sale already with others planning to go into sale on Christmas Eve. We are changing our trading assessment for footwear to marginally down against the same period 2016.

PREDICTED LIKE FOR LIKE SALES DECEMBER 2017 VERSUS DECEMBER 2016 – Marginally down

Period 1: 1st - 19th December 2017

This sector is finding it challenging instore and is just about holding parity on 2016 sales numbers. Black Friday was bumper overall but the fallout in the week following this was damaging however, margin on the product is staying where it should with many stores having special offers rather than going into full blown sale. Sales in men's footwear is strong as is the tradition at this particular time, and while women's footwear is an easier sell, it's slow at this time. Overall, the sector remains optimistic for the week ahead.

PREDICTED LIKE FOR LIKE SALES DECEMBER 2017 VERSUS DECEMBER 2016 – Parity

STATIONARY | TOYS | MUSIC

Period 2: 20th – 24th December 2017

The last week has failed to ignite and our trading assessment remains unchanged. This sector will trade like for like down against the same period in 2016.

PREDICTED LIKE FOR LIKE SALES DECEMBER 2017 VERSUS DECEMBER 2016 – Down

Period 1: 1st - 19th December 2017

While stationary and toy sectors have enjoyed a reasonably buoyant period, music sales have stagnated, mainly because of a weak music release schedule. Vinyl is making a marked resurgence but not enough to fill the void which has been left through the migration of conventional CDs and DVDs to online. With kids growing older younger, many conventional toy items on the wish list are being replaced by drones, tablets and mobile phones. While this has led to average transaction value gains, it has also moved spending away from conventional toy stores to online specialists. While stationary and toys are marginally up, music has dragged this category to a like for like position of trading down.

PREDICTED LIKE FOR LIKE SALES DECEMBER 2017 VERSUS DECEMBER 2016 – Down

CAFÉ | FOOD TO GO

Period 2: 20th – 24th December 2017

The last week has seen an increase in the number of people out shopping and trading is marginally up. The mild weather of late has had a positive impact on footfall and spending patterns. The final weekend before Christmas is expected to be a positive one with some retailers having increased bookings and walk-ins, although this is not consistent across all operators. While provincial towns have enjoyed the return of people home for Christmas which a given an uplift in footfall, we have received mixed

reports from food retailers in some of the primary shopping centres. Overall, the sector is trading marginally up.

PREDICTED LIKE FOR LIKE SALES DECEMBER 2017 VERSUS DECEMBER 2016 – Marginally Up

Period 1: 1st - 19th December 2017

The Café/Food to Go sector reported trading as being flat in the first two weeks of December but over last weekend trading has picked up slightly on a like for like basis. Spending patterns are mixed, with those situated in larger shopping centres experiencing a decrease in sales while cafés in local shopping centres and provincial towns are trading up. Like for like trading declines in shopping centres is not a surprise as many vacant units over the prior year have been let to more and more food and coffee operators. A point of coffee saturation in many shopping centres has now been reached – peak coffee. Overall, Christmas week is expected to be a positive one with footfall likely to jump and sales likely to match footfall trends.

PREDICTED LIKE FOR LIKE SALES DECEMBER 2017 VERSUS DECEMBER 2016 – Marginally Up

GIFT & HOMEWARE

Period 2: 20th – 24th December 2017

This sector is reporting a strong final trading week with most operators commenting it is ahead of last year. Cookware sales were very strong again this week with good trading in pots, frying pans and general baking equipment. There is a significant increase in sales of specific items such as coffee machines and slow cookers. One 'must buy' gift this year is Gin glass sets with many operators saying they are struggling to keep up with demand. Overall, a positive week in this sector.

PREDICTED LIKE FOR LIKE SALES DECEMBER 2017 VERSUS DECEMBER 2016 – Up

Period 1: 1st - 19th December 2017

Home & Giftware is trading marginally up, primarily as a result of many retail operators having the confidence to buy up in both quality and more innovative product design for the current quarter. Whilst the past weekend was reasonably good to this sector, particularly in cookware, it hasn't performed as strongly as many operators would have anticipated. In saying that, the week ahead will see lots of last minute shopping activity. For that reason, we project that Gift & Homeware will trade up on a like for like basis.

PREDICTED LIKE FOR LIKE SALES DECEMBER 2017 VERSUS DECEMBER 2016 – Up

MENSWEAR

Period 2: 20th – 24th December 2017

This sector is continuing to trade well this week. Thursday and Friday saw a significant increase in footfall and spend. One contradiction is outerwear, winter coats and jackets where spend has slowed considerably this week with many deciding to hold off until after Christmas with the expectation that stores will go into sale. Our trading assessment for menswear remains unchanged.

PREDICTED LIKE FOR LIKE SALES DECEMBER 2017 VERSUS DECEMBER 2016 – Up

Period 1: 1st - 19th December 2017

Menswear is back in fashion! Retailers are reporting that there is a huge willingness to spend on well-known brands and that high-quality product has been key to the very positive trading period so far in December. Generally, menswear stores are reporting an exceptional weekend just past and are highly optimistic for the week ahead with the mild weather forecasted to continue throughout the week. While the mid-lands took a big hit with the snow last weekend, there is definite optimism that this will be made up before Christmas Eve. With payday next Thursday, the mild weather promised and the return of family members from abroad due throughout the week ahead, this sector is more than optimistic about a profitable Christmas.

PREDICTED LIKE FOR LIKE SALES DECEMBER 2017 VERSUS DECEMBER 2016 – Up

JEWELLERY

Period 2: 20th – 24th December 2017

While there has been a marginal pick-up in trading activity over the past week, especially amongst provincial independent jewellers, the overall trading outcome has been a negative one. Jewellery is trading down against this period last year.

PREDICTED LIKE FOR LIKE SALES DECEMBER 2017 VERSUS DECEMBER 2016 – Down

Period 1: 1st - 19th December 2017

Unfortunately, it has been a challenging period for the Irish jewellery sector with all operators reporting like for like declines. There are many factors at play here including an overall dilution in demand in the sector, migration of spend online to international websites and the increasing popularity in travelling to cities around the world to buy that special piece. In this regard we urge caution, as when many return

home to have the item valued, it is common for the value to be less than what was paid in the first place. The sector is at pains to urge Customs to better investigate international purchases and apply excise duty due, thus ensuring a level playing field in a global market. There is still a lot to play for in the week ahead, especially as many of our menfolk have still to venture out into the high street and buy something very special for the female in their lives.

PREDICTED LIKE FOR LIKE SALES DECEMBER 2017 VERSUS DECEMBER 2016 – Down

GARDEN

Period 2: 20th – 24th December 2017

Sales over the past few days within the garden sector have dissipated and the majority of store visits are less about shopping and more about hospitality. Real Christmas trees continued to suffer due to illicit traders selling at cheaper prices and avoiding taxes. Overall our trading assessment remains unchanged for the Irish garden centre sector.

PREDICTED LIKE FOR LIKE SALES DECEMBER 2017 VERSUS DECEMBER 2016 – Marginally Up

Period 1: 1st - 19th December 2017

The garden sector has reported mixed figures across the past month. Many garden centres chose to avoid the heavy Black Friday discounts based on analysis over the past two years as margins were not justifiable. Footfall figures have been positive in-store but numerous consumers are not purchasing larger ticket items such as furniture. Decorations and smaller gifts are selling well with certain garden centres struggling to offload real Christmas trees. The main reason for this is the increased number of illicit Christmas tree traders selling at far reduced prices. Many garden centres have reported the need to re-develop their product offerings in order to create an enhanced customer experience. Retailers are hopeful that the weekend will deliver increased sales both in-store and online.

PREDICTED LIKE FOR LIKE SALES DECEMBER 2017 VERSUS DECEMBER 2016 – Marginally Up

HEALTH STORES

Period 2: 20th – 24th December 2017

Retailers report that footfall has had a slight uplift in some parts of the country, but overall, the sector generally remains steady this week. With many people returning

home for Christmas, retailers remain hopeful that the weekend sales will show a slight uplift. Overall this sector is trading up when compared with last year with online sales contributing significantly to the positive figures.

PREDICTED LIKE FOR LIKE SALES DECEMBER 2017 VERSUS DECEMBER 2016 – Up

Period 1: 1st - 19th December 2017

Health stores generally appear to be trading up when compared with 2016. Many retailers who took part in Black Friday & Cyber Monday reported extremely positive sales figures but for some retailers, despite the amount of work put in, it did not pay off. Those who did not directly participate in Black Friday, reported being negatively impacted with trade slightly down that weekend. Overall it has been a steady November and December with some retailers reporting sales being up 6-10% over the two months. Many remain optimistic and are hopeful with the long lead into Christmas that sales will remain steady this week. Overall this sector is trading up when compared with last year.

PREDICTED LIKE FOR LIKE SALES DECEMBER 2017 VERSUS DECEMBER 2016 – Up

ONLINE

Period 2: 20th – 24th December 2017

As expected online sales have slowed dramatically over the past few days as retailers stopped their guaranteed pre-Christmas delivery options on Wednesday night last. Many retailers will now launch their sales on Christmas Eve but the majority will launch offers from Christmas night onwards. Large sales are expected as a significant cohort of consumers will hold off purchasing pre-Christmas to avail of discounts across various electronic & tech items. It is astonishing to say but Christmas Day is now one of the most popular online shopping days in Ireland.

PREDICTED LIKE FOR LIKE SALES DECEMBER 2017 VERSUS DECEMBER 2016 – Significantly Up

Period 1: 1st - 19th December 2017

Retailers have reported an extremely successful month following on from record breaking Cyber Week sales. Enhanced digital marketing strategies played a crucial role in driving increased sales online with certain sectors reporting YOY sales increases of up to 60% across Cyber Week. Electronics, Pharmacy and Cosmetics have performed extremely well over the past month with many retailers expecting a large surge in online sales this week for those final Christmas presents. Retailers have invested heavily in their online operations to ensure websites can handle the increased traffic and offered additional delivery options (as well as click and collect) to

ensure items are delivered by Christmas. Overall, YOY increases of between 15%-30% have been recorded for this week. Smaller items such as phones, headphones and laptops are some of the most popular products being currently purchased online.

**PREDICTED LIKE FOR LIKE SALES DECEMBER 2017 VERSUS DECEMBER 2016 –
Significantly Up**

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