



RETAIL EXCELLENCE

CHRISTMAS TRADING STATEMENT PART 1 & 2



Period One: 1st - 18th December 2018
Period Two: 19th - 24th December 2018

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Christmas 2018 proved a challenging one, with those operators who achieved like for like gains having to work hard to win the business. Others simply had to accept like for like declines. They will lick their wounds and will rebound with greater determination in 2019.

It turned out to be an online Christmas. Our logistics partners are reporting a 23.5% increase in like for like parcel volumes in the past two months, and that is off a reasonably high base. The greatest national surge in online shopping occurred in Laois, Cork North and South Dublin. Visa reported a 12% increase in online shopping in November and of greatest concern, they also reported 4.3% declines in face to face transactions in the month.

2018 will be remembered as a year of some extraordinary weather events. Heavy snow in early March led to three days of lost trading, a mid-summer heatwave negatively impacted on consumption, while the second last Saturday before Christmas witnessed a Met Éireann status Orange weather alert and a resulting 23% decline in footfall nationally.

The last five days to Christmas Eve have traded well, with people getting paid in what is a “Full Employment” economy. The extra day was also a help and the psychology of having three full shopping days before Christmas Day, when most people were on annual leave, did have a very positive impact on footfall and spending.

What we have learnt in 2018 is:

- Government need to reduce business costs and most especially our headline VAT rate of 23% if retailers are to compete in what is now a global marketplace.
- Retailers need to better embrace Black Friday and turn it into a multiple day event. They need to win supplier support and stand out on the high street. We know the majority of retailers hate the event, and for good reason, however Black Friday is not going away.
- Retail Excellence will meet with Met Éireann in the New Year to discuss the negative impact weather alerts have on footfall. It is normal for footfall to dissipate by 12% on a bad weather day, the declines doubled when Met Éireann issue an alert.

Our assessment of Christmas 2018 trading is that we reached parity with Christmas 2017, but only just.

On behalf of the team at Retail Excellence we wish all our members and partners a Happy and Peaceful Christmas and a very prosperous 2019.

Yours sincerely,



David Fitzsimons
Group CEO, Retail Excellence



Calling it

Our interpretation of trading for Christmas 2018 is that the Irish Retail Industry has reached revenue parity with Christmas 2017 - just.

Following a period filled with many stumbling blocks for the industry, including a very damaging Orange weather warning from Met Éireann, trading over the period from Thursday last to today has improved significantly primarily due to:

- Pent up consumer activity following the Orange weather warning
- An economy at close to full employment with the vast majority of workers being paid last Thursday and Friday
- The psychology of the 'extra' day in the final run up to Christmas, allowed many consumers, especially men, the luxury of leaving their Christmas shopping until the last minute

Black Friday

Footfall in November is reported to have declined by as much as 5% like for like as Irish consumers decided to shop online rather than visit the high street. Black Friday has had a very detrimental impact on general footfall and retail sales in the weeks before and after the event. Footfall recovered in December but hit the buffers last weekend as weather warnings kept shoppers at home.

Weather

Weather improved significantly in the final five days before Christmas Day which had a very positive impact on footfall and commercial activity across the country.

The inclement weather over last weekend negatively impacted shopping activity. Worse than the weather, was the weather forecasting and reporting with storm conditions predicted and yet in most parts of the country we experienced little more than a wet Saturday. The introduction of the storm warning system and the colour categorisation of weather events has had a monumental impact on shopping behaviours. On a more positive note the weather is forecasted to be good this coming weekend, the most important weekend in the Irish retail calendar.

Volatility

The Irish Retail Industry has never experienced such volatility. It is impossible to predict what each given week will bring. Such conditions don't assist retailers who are planning open to buy budgets and labour rostering.

CONSUMER ELECTRONICS

Period 1: 1-18 December

Most consumer activity in the CE space happened over Black Friday weekend and especially for large and small home appliances including white goods, food preparation, baking, coffee and the like. Of all retail sectors that participate in the Black Friday and Cyber Monday events, Consumer Electronics engages the most. Those who planned best for Black Friday, those who won supplier support and who turned the event into a multi-day promotion, did best and gave away the least margin. In recent weeks sales of technology and audio has surged as tech savvy consumers self-gift the latest and greatest solutions. Specialist categories such as drones also continue to grow as price points fall making these items more accessible to the main stream consumer base.

**PREDICTED LIKE FOR LIKE SALES DECEMBER 2018
VERSUS DECEMBER 2017 - UP**

Period 2: 19-24 December

Consumer Electronics retailers enjoyed a solid last five days of trade, especially in tech, audio and small appliance categories. Our assessment remains unchanged. This sector ends Christmas 2018 trading UP.

**PREDICTED LIKE FOR LIKE SALES
DECEMBER 2018 VERSUS DECEMBER 2017
- UP**



FURNITURE & FLOORING

Period 1: 1-18 December

Furniture & Flooring retailers have enjoyed a robust November due to enhanced home refurbishment and also a slight increase in the residential home sales. This is traditionally a period of calm for this sector as the lead in time for deliveries is generally 4-6 weeks for big ticket items, thus providing Furniture & Flooring operators a chance to relax and prepare for the much sought-after January sales. All in all, it has been a reasonable trading period for the Furniture & Flooring sector and most operators are bullish about the year ahead.

**PREDICTED LIKE FOR LIKE SALES DECEMBER 2018
VERSUS DECEMBER 2017 – MARGINALLY UP**



Period 2: 19-24 December

As expected, the past five days have been quiet for this sector. Operators are entirely focused on their January sales plans. Our assessment does not change. The sector ends Christmas 2018 trading marginally up.

**PREDICTED LIKE FOR LIKE SALES DECEMBER
2018 VERSUS DECEMBER 2017 –
MARGINALLY UP**



TELECOMMUNICATIONS



Period 1: 1-18 December

The telecommunications sector has experienced a reasonable last few weeks with handsets and network plans performing well, the bread and butter of the sector. It is reported that 1.5 million handsets will be sold in Ireland in 2018, underlying that this sector is alive and thriving. That said competition is rife, and each operator is working hard to win their share of the opportunity. A noticeable change this year is the diversification of many operators into other tech categories and thus expansion into the gifting market. The major growth area is connected technology, fitbits, health and weight monitoring and lots of other diverse tech which connects to the phone. The next few days are crucial for this sector as consumers treat themselves to the latest gadget to play with over the Christmas holiday period.

**PREDICTED LIKE FOR LIKE SALES DECEMBER
2018 VERSUS DECEMBER 2017 - marginally up**

Period 2: 19-24 December

The telecommunications sector enjoyed a robust last few days, especially in self-gifting categories. Our trading assessment remains unchanged. Telecommunications ends Christmas 2018 trading marginally up.

**PREDICTED LIKE FOR LIKE SALES
DECEMBER 2018 VERSUS DECEMBER 2017
- marginally up**



BEAUTY & PHARMACY

Period 1: 1-18 December

It is fair to say that the Irish Pharmacy sector is under immense pressure with most operators experiencing like for like declines. Any operators enjoying like for like gains are in the minority, are working hard for the gains and those gains are very marginal. This time last year the nation experienced bouts of flu, coughs and colds, this time out we are healthier and thus dispensaries and over the counter medicines (OTC) are trading back.

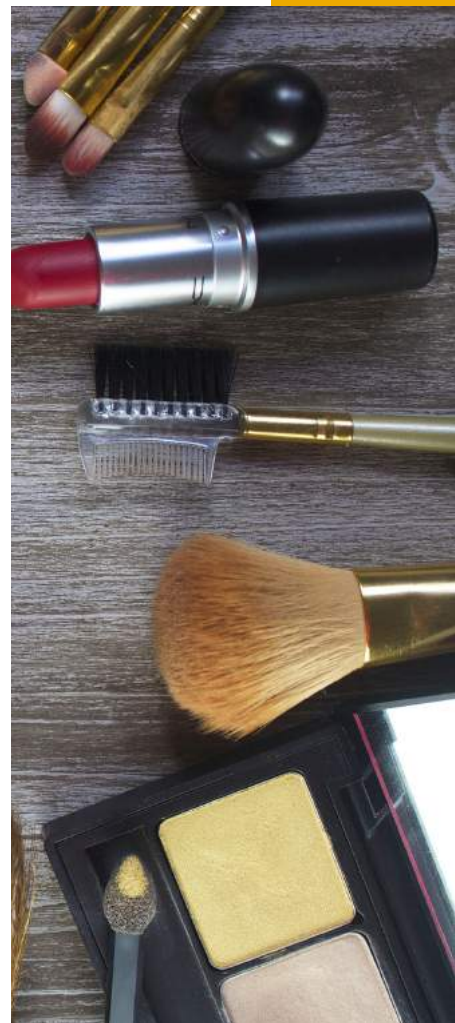
Retail sales are trading down, that said, the next few days are crucial for beauty, fragrance, cosmetics and hamper sales. Beauty and fragrance average transaction values are holding up reasonably well, that said consumers are demanding value and are immensely price conscious.

PREDICTED LIKE FOR LIKE SALES DECEMBER 2018 VERSUS DECEMBER 2017 - DOWN

Period 2: 19-24 December

Unfortunately, the revenue gap was too great for Irish pharmacy to make up. We have changed our assessment from DOWN to MARGINALLY DOWN, but Irish pharmacy ends Christmas 2018 suffering like for like declines.

PREDICTED LIKE FOR LIKE SALES DECEMBER 2018 VERSUS DECEMBER 2017 - MARGINALLY DOWN



GROCERY & ALCOHOL

Period 1: 1-18 December

Grocery and alcohol sales month to date have been reasonably buoyant, albeit competition is more intense than ever before as the fight for market share accelerates. The general feedback is that Irish consumers are spending more on Christmas than ever before and the next few days are the most important in the cycle. It is likely that the Irish grocery sector will trade up 2-4% on the same period last year with average transaction values growing. A noticeable trend in the sector is the continued move of a significant cohort to more premium ranges and a more informed and discerning consumer out shopping today. Many operators suggest that social media and the proliferation of food content is one of the principle reasons behind the trend. While Christmas 2018 will trade up on last year, grey Brexit clouds loom for a sector that has most to lose in a no-deal scenario.

**PREDICTED LIKE FOR LIKE SALES DECEMBER 2018
VERSUS DECEMBER 2017 - marginally up**



Period 2: 19-24 December

The grocery and alcohol sector enjoyed a blockbuster weekend with a significant increase in average trolley spend, especially due to significantly enhanced demand for premium food ranges. We have amended our assessment and Grocery will end Christmas 2018 UP.

**PREDICTED LIKE FOR LIKE SALES
DECEMBER 2018 VERSUS DECEMBER
2017 - UP**



**PERIOD ONE: 1ST - 18TH DECEMBER 2018
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LADIESWEAR

Period 1: 1-18 December

Black Friday and Cyber Monday did not fair great for this sector and especially the smaller operators who find it hard to be heard in a very noisy chapter in the retail cycle. That said, this sector remains positive with many fashion operators expecting to trade up on last year. Although footfall is down generally, transaction values and items per transaction are tracking ahead with coats and more expensive winter season items selling better this year than previous years. Overall margins are holding their own.

Fashion retailers are resisting, as far as possible, from going into full sale until the New Year. Many instead are offering token gesture promotions on specific items or brands to entice footfall and sales.

**PREDICTED LIKE FOR LIKE SALES DECEMBER 2018
VERSUS DECEMBER 2017 - MARGINALLY UP**



Period 2: 19-24 December

The ladieswear sector enjoyed a busy final few days before the 25th as ladies completed their Christmas look with the purchase of one-off standout pieces. Our assessment does not change. The ladieswear sectors ends the Christmas period trading MARGINALLY UP.

**PREDICTED LIKE FOR LIKE SALES
DECEMBER 2018 VERSUS
DECEMBER 2017 - MARGINALLY
UP**



FOOTWEAR

Period 1: 1-18 December

Many footwear operators are already in sale but even this is not attracting as much attention as is required. While Black Friday online sales were good, generally most retailers in this sector are reporting that it is undermining their instore business for December. The mood on the street is generally subdued and customers are wary of spending. In the rural towns, farmers are being extremely cautious and are not shopping like other years. The ever-increasing labour costs, uncertainty surrounding Brexit and the high cost of distribution of online products are making the struggle all the worse. With Saturday last being a wipe out, and Sunday being a reasonable trading day, footwear retailers are unhappy with the media's 'alarmist' type weather warnings which are driving people to their laptops rather than instore. There was no good news from this sector which, at best, will trade back by at minimum 5%, with some operators predicting double digit declines.

**PREDICTED LIKE FOR LIKE SALES DECEMBER 2018 VERSUS
DECEMBER 2017 - DOWN**

Period 2: 19-24 December

The footwear sector has experienced a challenging trading environment in recent weeks. This remains the same as the past five days did not fill the void. This sector ends Christmas 2018 trading DOWN on Christmas 2017.

**PREDICTED LIKE FOR LIKE SALES
DECEMBER 2018 VERSUS
DECEMBER 2017 - DOWN**



STATIONARY TOYS MUSIC



Period 2: 19-24 December

The majority of consumer activity in this sector had happened a good few weeks ago, that said stores remained busy right up to Christmas Eve. Our trading assessment stands at PARITY on last year's Christmas's trading revenues.

**PREDICTED LIKE FOR LIKE
SALES DECEMBER 2018 VERSUS
DECEMBER 2017 - PARITY**

Period 1: 1-18 December

Trading has been reasonably steady with some retailers reporting between 4% to 8% increases in revenue on the same period in 2017. The amber weather warning in place on Saturday last has had a significantly negative impact on sales from Friday evening with much of the gains wiped out over the weekend. Toys has witnessed robust sales in recent weeks with most operators extending trading hours to accommodate late evening shopping. Vinyl has been the saviour for the Irish music sector with this product category representing more than 25% of all sales for some music operators.

**PREDICTED LIKE FOR LIKE SALES
DECEMBER 2018 VERSUS DECEMBER 2017
- PARITY**



CAFÉ FOOD TO GO

Period 1: 1-18 December

The Café/Food to Go sector reported trading as being down in the first two weeks of December and deteriorated further over the last weekends trading.

It is a very competitive environment and there is a feeling Black Friday has just displaced spend from December to November and more fundamentally has had a very negative impact on footfall levels.

The weather warnings are adding uncertainty to an already brittle market. In this sector when you prepared food and people do not come out - there is no claw back, when it's gone it's gone. Some stores have extended opening hours in the hope of capturing additional footfall and consequent revenue. The mood going forward is somewhat pessimistic as realistically there is no hope of catching up on sales lost earlier in the month and last weekend.

**PREDICTED LIKE FOR LIKE SALES DECEMBER 2018
VERSUS DECEMBER 2017 – DOWN**



Period 2: 19-24 December

The café | food sector enjoyed buoyant footfall in recent days which always transfers into food and beverage sales. That said the sector was trading down in double digits in recent weeks. The gap has been somewhat filled but not enough to achieve Christmas 2017 revenues. We have modified our assessment. The sector ends Christmas 2018 trading **MARGINALLY DOWN**.

**PREDICTED LIKE FOR LIKE SALES DECEMBER 2018 VERSUS DECEMBER 2017 –
MARGINALLY DOWN**



GIFT & HOMEWARE

Period 1: 1-18 December

The Home & Giftware sector is reporting very mixed trading with declines experienced, depending on location, from -3% to -5%. Many in this sector reported a good Black Friday week with many shoppers completing their Christmas purchases during the event. There seems to have been an increased emphasis on homeware with a definite focus on higher ticket quality items and brands. The mood on the street is one of caution with discerning customers looking for value for money, buying fewer items, but buying quality when they spend. Giftware and Christmas buying is slower than last year. There is a lower spend with basket size down approx. 2%. Footfall is down with many citing recent weather warnings as having a very detrimental impact on business.

**PREDICTED LIKE FOR LIKE SALES DECEMBER 2018
VERSUS DECEMBER 2017 – PARITY**

Period 2: 19-24 December

The gift & homeware sector experienced a reasonable last five days to Christmas Day, that said, our assessment has not changed. This sector achieved PARITY with Christmas 2017.

**PREDICTED LIKE FOR LIKE SALES DECEMBER 2018 VERSUS DECEMBER 2017 –
PARITY**



**PERIOD ONE: 1ST - 18TH DECEMBER 2018
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MENSWEAR

Period 1: 1-18 December

Menswear is trading well and particularly in rural areas. While November proved to be disappointing, December has picked up and the mood in this sector is optimistic for the final week up to Christmas. While footfall is down, ATV is up. Most operators commented that the 'scaremongering' regarding weather warnings have proved disastrous and specifically footfall was way down over the last weekend. While in some areas the weather was quite inclement, the warnings were grossly exaggerated and did significant damage to takings on one of the most important trading weekends of the year.

The end of this week will see the return home of the expats for Christmas and the traditional last-minute shopping trip to their favourite local stores, especially amongst last minute shopping males.

PREDICTED LIKE FOR LIKE SALES DECEMBER 2018 VERSUS DECEMBER 2017 - marginally up

Period 2: 19-24 December

The menswear sector ended the Christmas period trading UP. Perennial late shoppers, males came out to shop and many menswear businesses enjoyed robust footfall and spend in the last five days to the 25th. We have maintained our trading assessment as marginally up.

PREDICTED LIKE FOR LIKE SALES DECEMBER 2018 VERSUS DECEMBER 2017 - marginally up



JEWELLERY

Period 1: 1-18 December

Trading in the jewellery sector has been described as sluggish, some citing decreased consumer sentiment related to the ongoing uncertainty surrounding Brexit. However, the big trend today, in the context of far greater international travel, is the tendency of Irish consumers to buy the finer, more expensive pieces abroad especially in Dubai, New York and Amsterdam. But unfortunately, these consumers are not always getting the quality they have been guaranteed and often find out the bad news when they arrive home and get the piece valued. There has also been a noticeable proliferation in the buying of branded jewellery from international websites. The Irish jeweller is commonly at a 30% disadvantage as many international websites do not apply VAT or customers duties, all the time the indigenous jeweller is left having to apply our 23% VAT and suffer the consequences of not being able to meet international jewellery prices. Some welcome news this week, and something Retail Excellence and eCommerce Europe has been working on, is the European Commission's plan to mandate that all non-EU websites must apply VAT on all products sold into the EU marketplace.

PREDICTED LIKE FOR LIKE SALES DECEMBER 2018 VERSUS DECEMBER 2017 - MARGINALLY DOWN



Period 2: 19-24 December

Whilst the jewellery sector did enjoy robust trading over the past few days, it was not enough to fill the void and thus the jewellery sector ends Christmas 2018 trading MARGINALLY DOWN.

PREDICTED LIKE FOR LIKE SALES DECEMBER 2018 VERSUS DECEMBER 2017 - MARGINALLY DOWN





ONLINE

Period 1: 1-18 December

Black Friday 2018 has grown somewhat into an online phenomenon with high street retailers experiencing decreases in footfall of at least 5% over the period of the event.

Many retailers at this stage in the cycle have aggressively promoted Click & Collect, in some cases offering a 24-hour turnaround as they will no longer be able to guarantee postal delivery before Christmas. Online sales have grown aggressively in recent weeks against the same period last year.

Of greatest concern is that over 70% of that demand leaves the country in favour of international online operators. Logistics companies are reporting their busiest November and December on record. The recent launch of a €1.25m fund by Enterprise Ireland to motivate Irish retailers to take on the world online has impacted on many retailers New Year's resolutions - to invest in online and do it quickly.

**PREDICTED LIKE FOR LIKE SALES DECEMBER 2018
VERSUS DECEMBER 2017 - SIGNIFICANTLY UP**

Period 2: 19-24 December

There has obviously been a significant diminution in conventional online activity in recent days as logistics companies can no longer guarantee delivery before Christmas Day. That said, there are reports of a large spike in Click & Collect activity. Tomorrow, Christmas Day, will witness the launch of the January sales for many online operators. Our trading assessment remains unchanged at SIGNIFICANTLY UP.

**PREDICTED LIKE FOR LIKE SALES DECEMBER 2018 VERSUS DECEMBER 2017 -
SIGNIFICANTLY UP**



**PERIOD ONE: 1ST - 18TH DECEMBER 2018
PERIOD TWO: 19TH - 24TH DECEMBER 2018**

GARDEN

Period 1: 1-18 December

It has been an Annus Horribilis for the Irish Garden Centre sector suffering snow storms in March, followed by a heatwave and resulting hosepipe ban in June. Currently there are mixed reports from the Garden Centre sector with some trading well particularly in gifts and homewares.

Christmas lights and decorations are generally selling slower, possibly as a result of Garden Centres selling much higher-quality lights which work year on year! Fresh trees sold well in areas where illicit traders were not present. The garden centre sector seems worst hit with shoplifting activity this year. The most frequently reported criminal activity is with 'price swapping', where customers swap a higher price tag for a lower ticket value. Gifts, clothing and handbags are selling well in destination stores and the Garden Centre community is hoping for one last bumper weekend to clear out the last of the decorations.

**PREDICTED LIKE FOR LIKE SALES DECEMBER 2018
VERSUS DECEMBER 2017 - PARITY**



Period 2: 19-24 December

In the past five days many garden centres have gone into sale on Christmas decorations and other seasonal ranges hoping to relieve themselves of excess stock. Our assessment has not changed. The garden centre sector ended Christmas 2018 on a par with Christmas 2017 trading levels.

PREDICTED LIKE FOR LIKE SALES DECEMBER 2018 VERSUS DECEMBER 2017 - PARITY



**PERIOD ONE: 1ST - 18TH DECEMBER 2018
PERIOD TWO: 19TH - 24TH DECEMBER 2018**



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**PREPARED BY RETAIL EXCELLENCE
DECEMBER 2018**



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