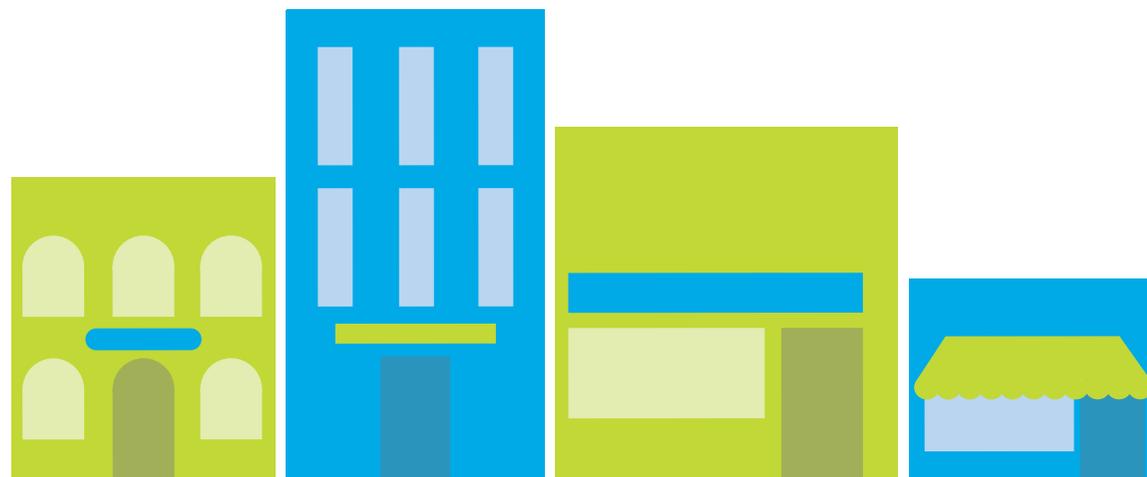


The Deloitte
Consumer Review
The Irish high street –
what lies ahead?



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About the survey

The research was carried out by Amárach as part of an omnibus survey. A total sample of 1,002 was achieved with quotas set on gender, age, social class and region to achieve a sample aligned with the national population. Interviewing fieldwork dates were 17 to 21 March 2014.

Due to rounding, responses to the questions covered in this report may not aggregate to 100.

The Deloitte Consumer Review

The Irish high street – what lies ahead?

Welcome to the first edition of the Deloitte Ireland Consumer Review.

The high street as traditionally known is a centre that serves the needs of the local community and includes facilities other than retail, such as social and cultural facilities, as well as public and private services. Typically, the high street is close to the centre of the town, and in close proximity to the central business district and other non-retail businesses. The high street in Ireland has faced unprecedented challenges over the last number of years, most notably the downturn in the Irish economy which resulted in declining sales volumes and increased liquidity pressures for retailers.

In our inaugural edition of the Deloitte Consumer Review, we consider the impact of the economic downturn on high street retailers in Ireland and consumers' satisfaction with, and opinion of, the high street. We discuss the transformation and the future of the high street as the economy stabilises. Also, we present our first edition of the Deloitte Consumer Tracker, aimed at monitoring consumer spending attitudes and behaviours on a biannual basis.

CONTACTS

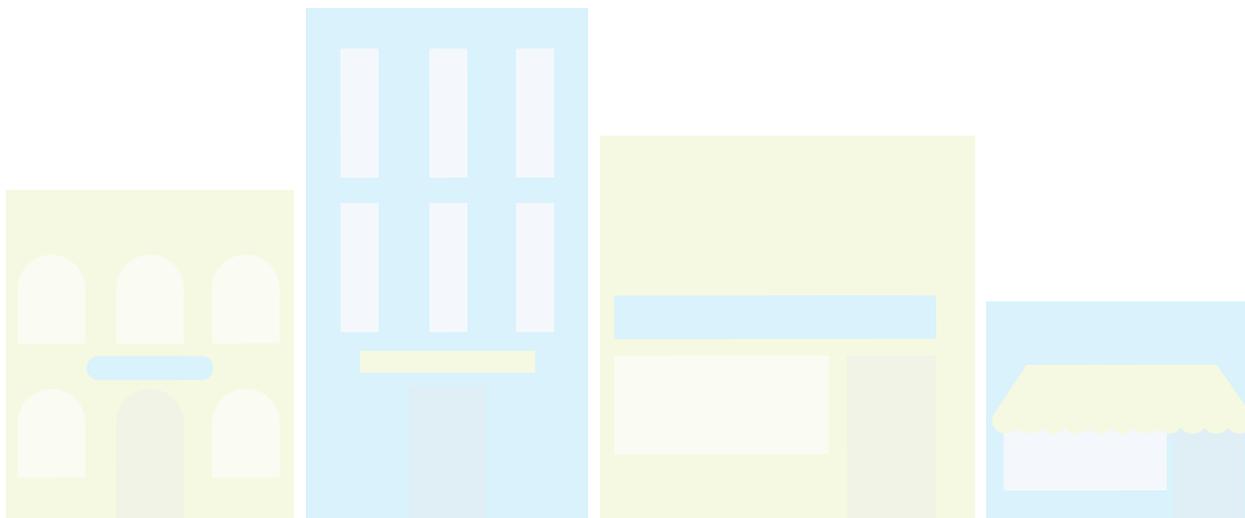
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Key observations



COMPETITION

The dynamic of the retail market has changed over the last number of years, with the high street experiencing increased competition from out-of-town retail parks, and the growth in online shopping.



KEY DESTINATION

The high street remains a key destination for many consumers. Books/music/media is the only product category where a higher proportion of respondents shop online compared to the high street.



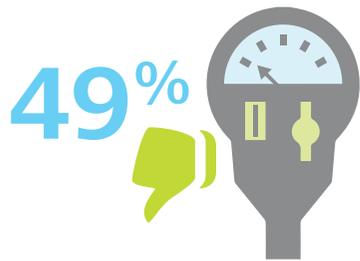
SERVICES

The research shows that the high street is an important destination for services, with at least one in four consumers using the high street for each category considered.



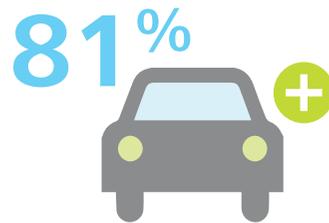
CONVENIENCE

The high street is seen as a convenient place to shop and visit, with 76% of respondents expressing satisfaction with the convenience of the high street.



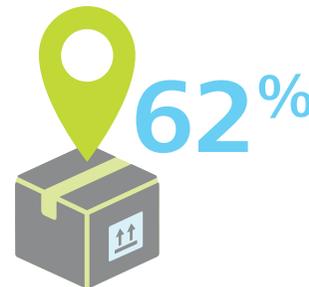
HIGH STREET PARKING

Just under half of respondents (49%) indicated that they were dissatisfied with parking facilities for the high street.



FREE PARKING

81% of consumers want to see free/more parking on the high street.



COLLECTION POINTS

62% of consumers indicated that they would like to see empty points on the high street used as pick up points for goods ordered on the internet.



HIGH STREET VS ONLINE

The research also shows that the majority of consumers still prefer to buy a product in-store and take it home.

Impact of the economic downturn on the high street

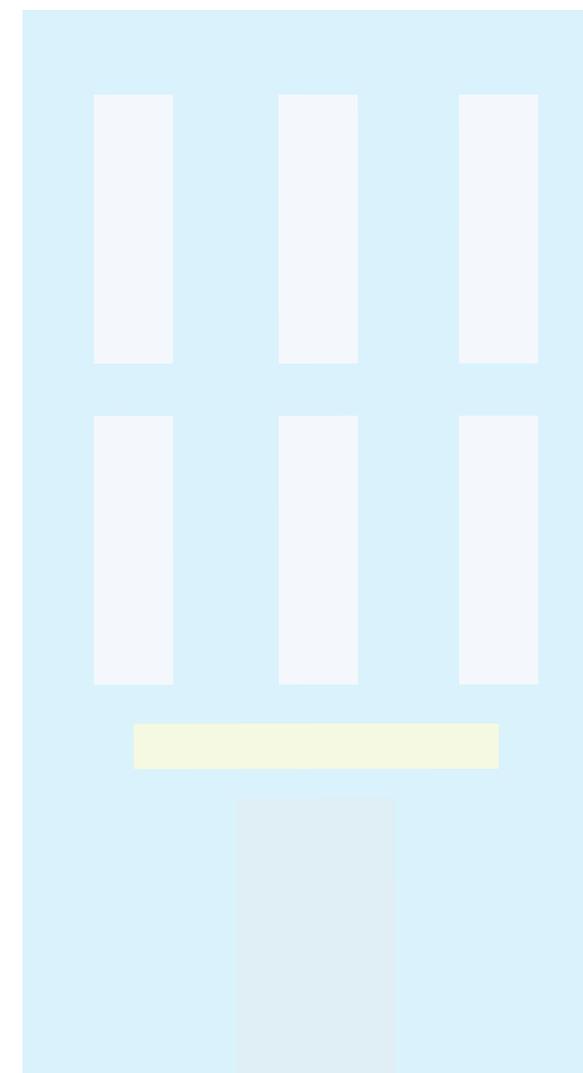
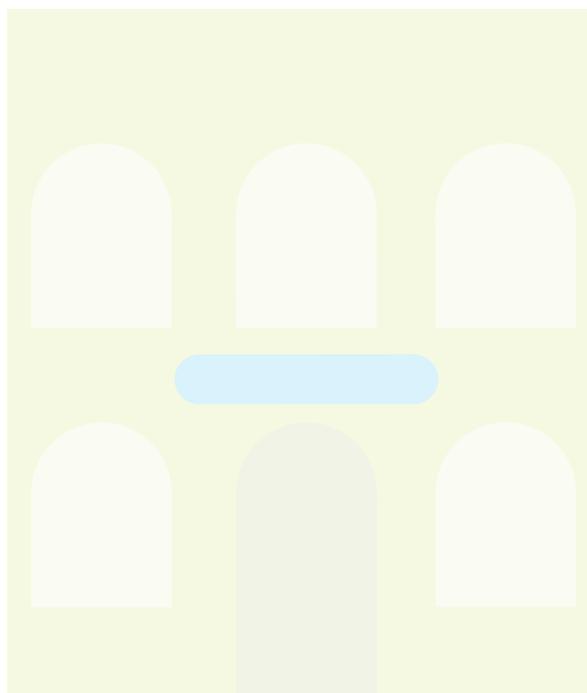
The dynamic of the retail market has changed over the last number of years with the high street experiencing increased competition from out-of-town retail parks, and the growth in online shopping.

In addition to these competitive pressures, high street retailers in Ireland have been squeezed in recent years by declining sales volumes, coupled with onerous long-term leases with upward only rent reviews. The stabilisation in retail sales since the beginning of 2013, while encouraging is somewhat misleading, as instability in the retail market remains and consumer confidence, while recovering, remains low.

Many high street retailers face a number of challenges which threaten their presence on the high street, most notably:

- Mounting business cost pressures resulting from high fixed overheads, most notably rent and rates.
- Significant margin pressure impacting competitiveness, as online counterparts continue to leverage their lower cost base by offering products at a discount.
- Consumer spending levels remain focused on “necessary” items rather than discretionary goods.
- The evolution in technology and increased consumer usage of mobile devices and smart phones provides ease of access to online retailers, and threatens to further erode the market share of high street retailers.

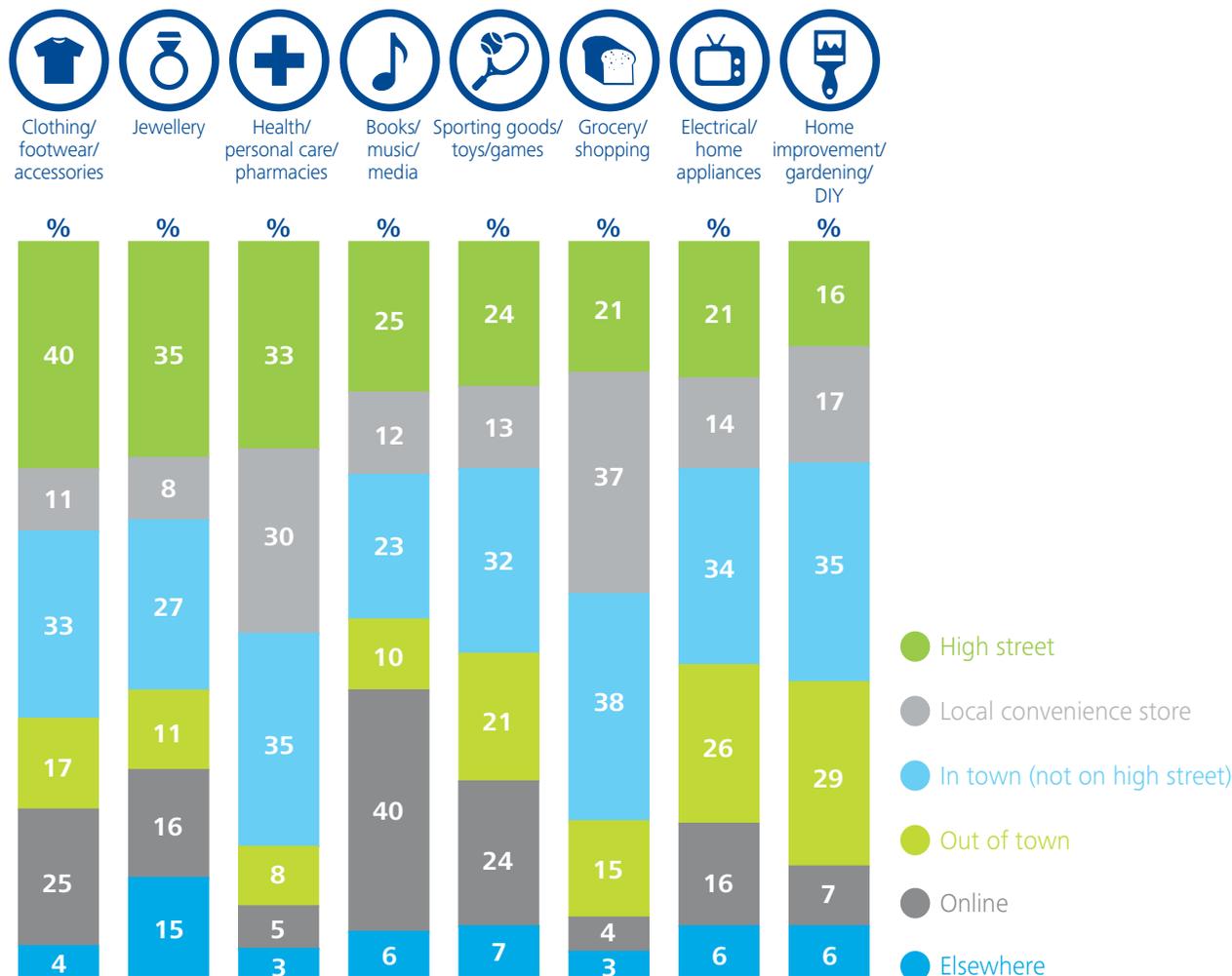
To combat against the above challenges, many high street retailers have invested heavily in developing an online sales presence.



The high street remains a key destination for many consumers

Figure 1: Category shopped by channel

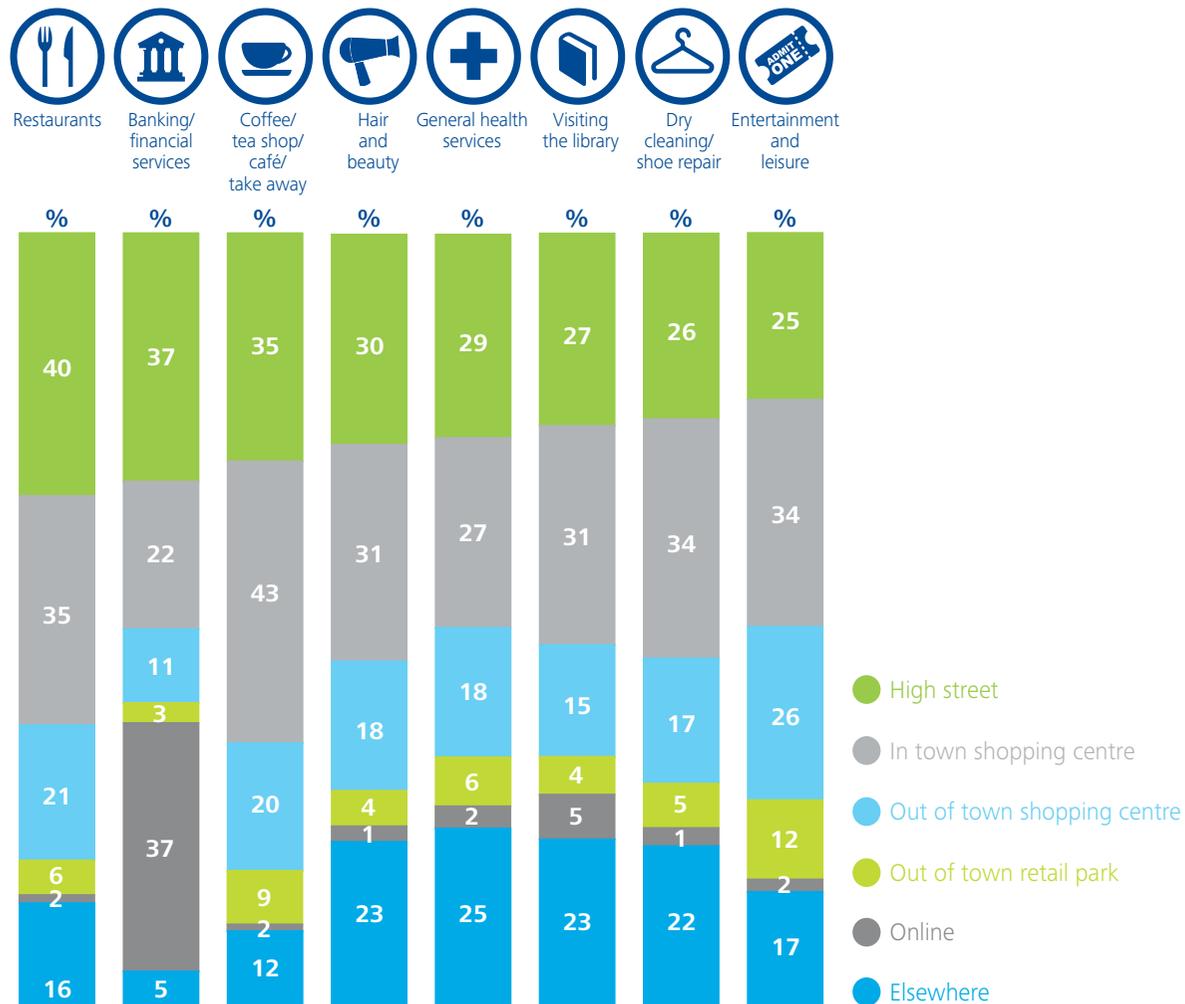
Question: Where do you shop for each of the following categories?



According to Deloitte research, consumers use the high street more than any other destination for clothing/footwear/accessories, and jewellery. One third of those questioned use the high street for health/personal care/pharmacies, while one in four visit the high street to purchase books/music/media, and sporting goods/toys/games. Perhaps unsurprisingly, books/music/media is the only category where a higher proportion of respondents shop online compared to on the high street.

Figure 2: Services accessed by channel

Question: Where do you usually go to access the following services or activities?

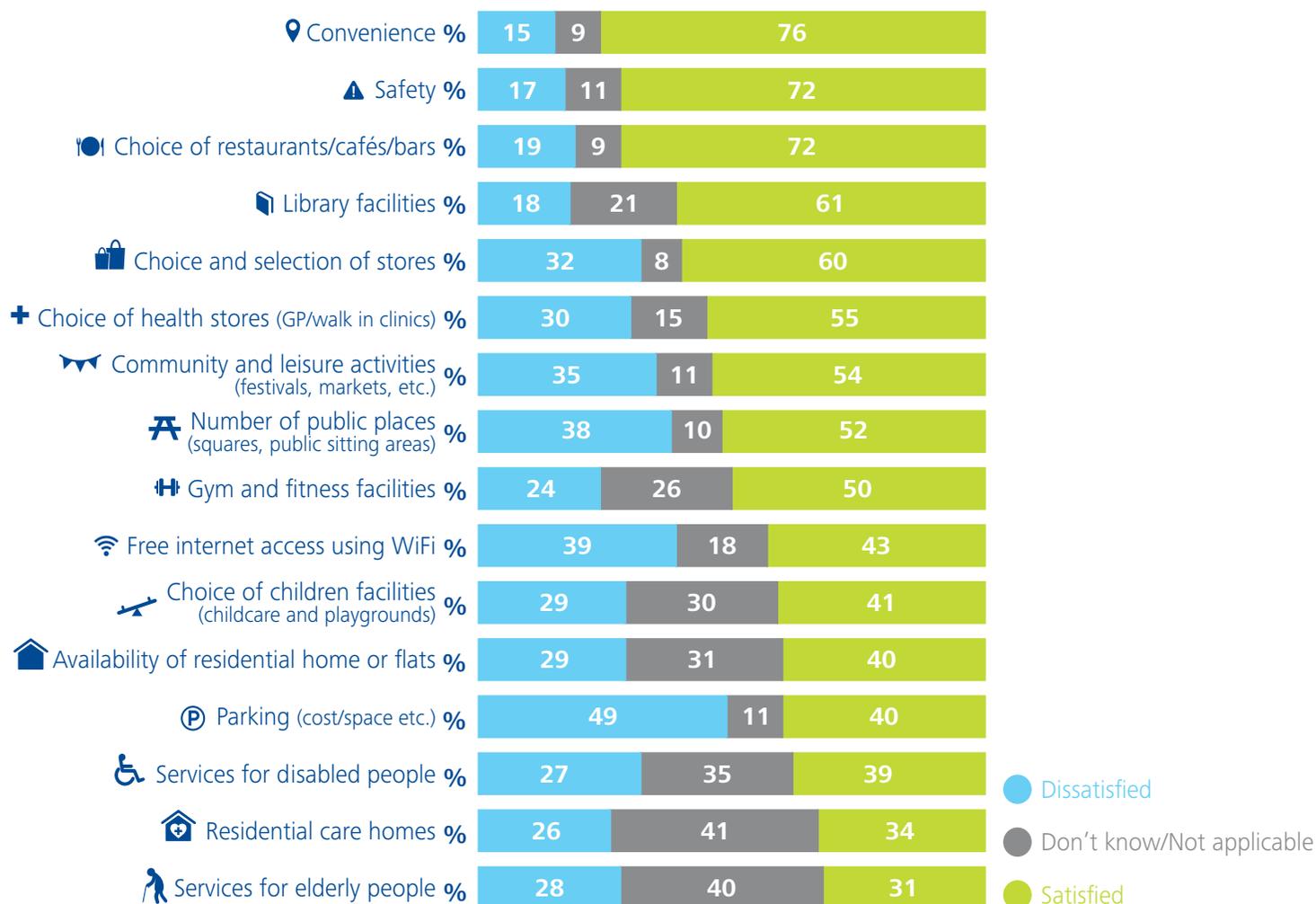


The research also shows that the high street is an important destination for services, with at least one in four consumers using the high street for each category considered. The high street is the most popular destination for restaurants, banking/financial services and coffee shops, cafés and takeaways.

Consumers' satisfaction with their local high street

Figure 3: Customers' satisfaction with their local high street

Question: Based on your experience of your local high street, how would you rate it against each of the following?



The high street is seen as a convenient place to shop and visit, with 76% of respondents expressing satisfaction with the convenience of the high street.

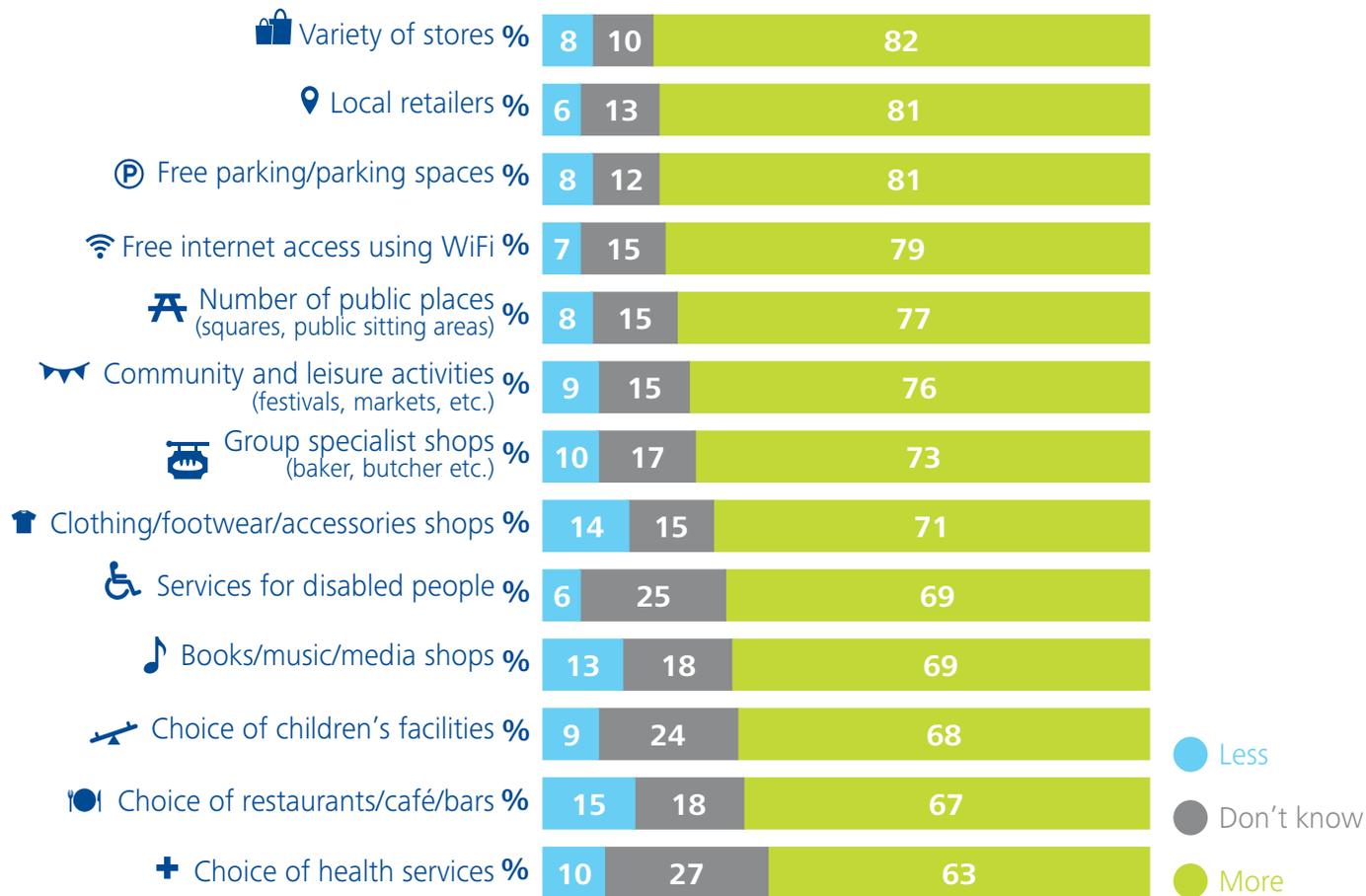
Our research also shows that the majority of consumers are satisfied with the safety offered by the high street, the choice of restaurants/cafés/bars, in addition to the choice and selection of stores it offers.

However, half of respondents indicated that they were dissatisfied with parking facilities. Parking is a critical feature in the reinvention of the high street if it is to become a place for people to collect purchased goods online, for example.

Overall, consumers appear to be satisfied with the high street, with more respondents satisfied than dissatisfied for each category. Parking is the sole exception to this.

Figure 4: Consumers' opinion of the offering on their local high street

Question: If you could have your say on what goes into your local high street, which of the following would you want to see more or less of?

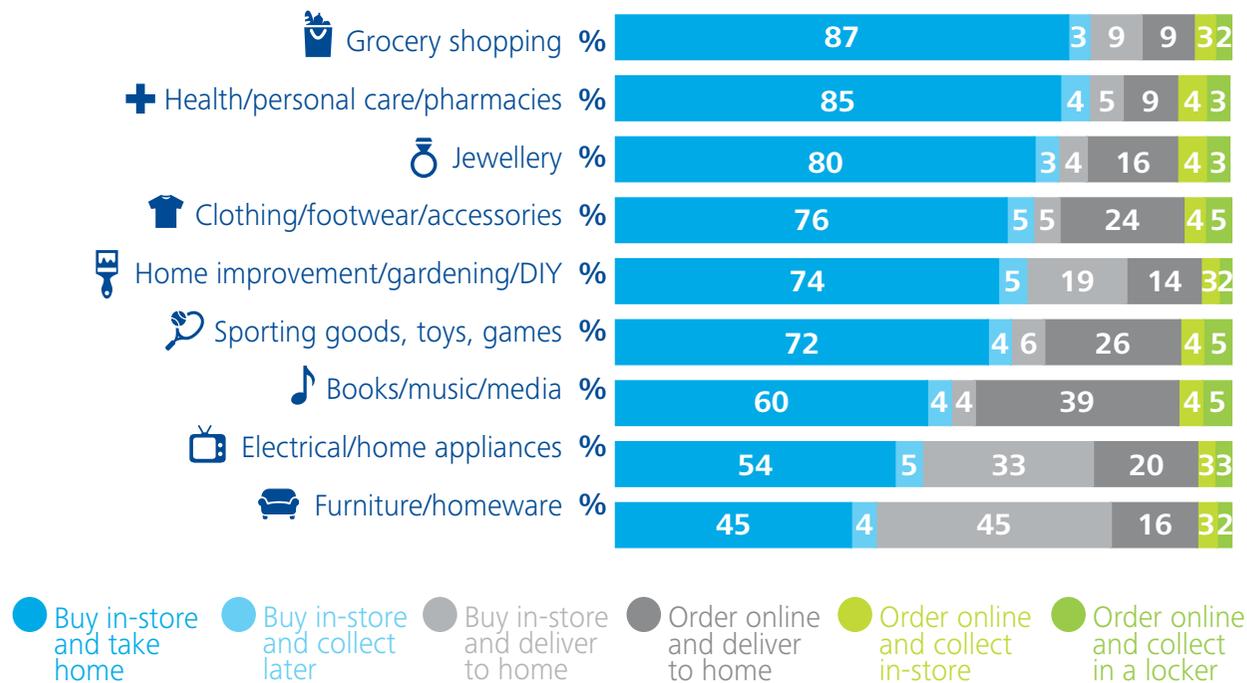


Our research shows if consumers could shape their high street, the main improvements they would like to see are a greater variety of stores (82%) and an increase in local retailers (81%), a preference also exhibited by UK consumers in a similar study.¹

Furthermore, 81% of consumers want to see free or more parking available on their local high street, with 79% indicating they would like more free access to wi-fi. Additional group specialist shops such as a baker or butcher, clothing/footwear shops, services for the disabled and book and media stores also featured strongly in consumer preferences on the high street.

¹ The Deloitte Consumer Review: Reinventing the role of the high street

Figure 5: Consumers' preferences regarding delivery options



The research also shows that the general consensus amongst consumers is they still prefer to buy a product in-store and take it home. However, for some categories such as books, music, sporting goods, toys, clothing and footwear, a significant number of consumers prefer to order online and get the product delivered to their home.

Unlike UK consumers, who are showing more omni-channel behaviours for categories such as clothing and footwear, Irish consumers are using a multi-channel model with 76% of consumers indicating they prefer to buy in-store and take home, and 24% of consumers who prefer to purchase online and have the product delivered to their home.



Deloitte perspective: Transformation of the high street and beyond

The high street encompasses a number of stakeholders including, landlords, local authorities, communities and consumers, all of which are required to contribute to the success of the high street.

Consumers in today's market have inherently more sophisticated expectations of products, services, value and environment when compared to five years ago. Increasing competitive pressures coupled with the growing online retail market further limits the need for a retailer to grow its presence on the high street. However a new real estate retail landscape has emerged, making the high street a more attractive and feasible option for retailers. High street retailers have been able to reduce fixed overhead costs through new flexible leases linked to business performance measures such as turnover and earnings before interest, taxes, depreciation and amortisation. The landscape has also provided opportunities to explore nuances such as opening "pop-up" shops under short-term lease agreements. This new real estate environment lends itself to the shift in consumer behaviours and expectations towards a more fulfilling shopping experience.

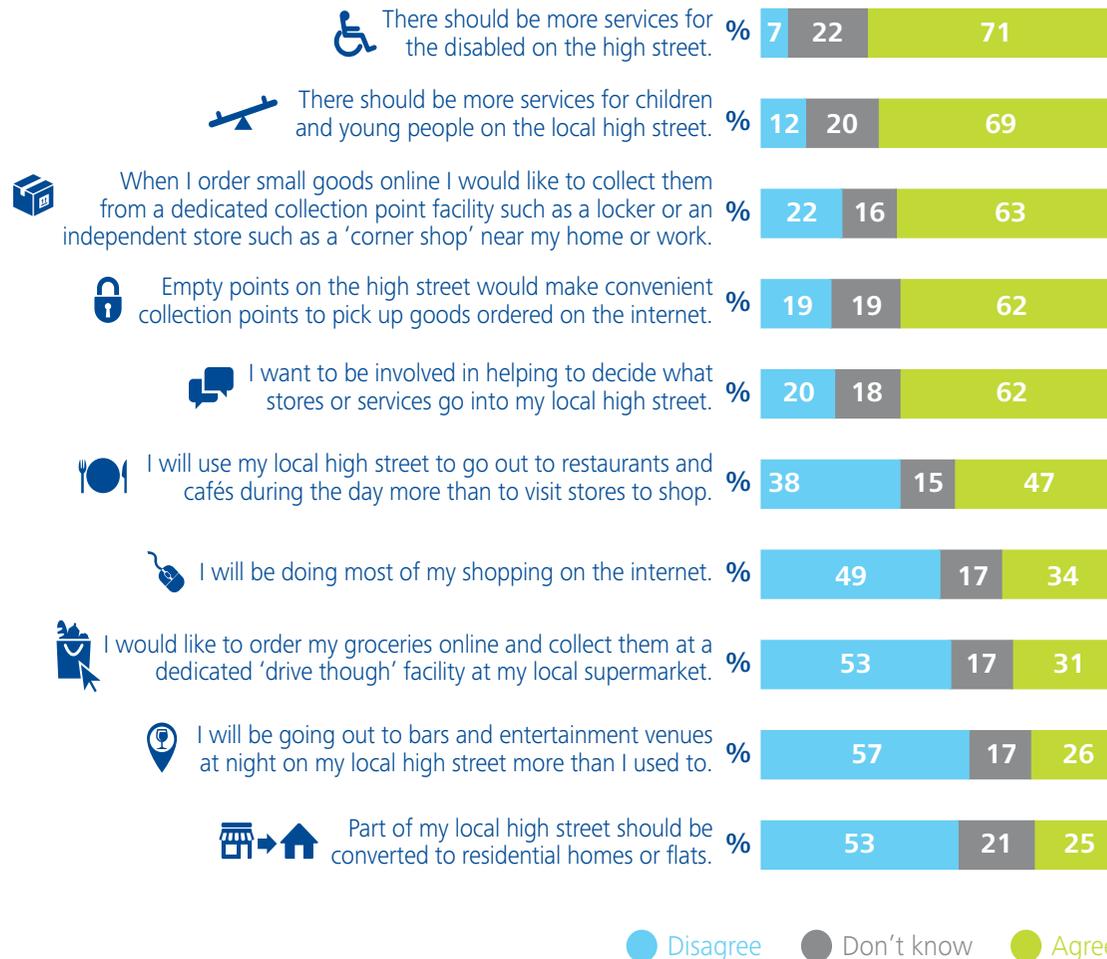
To capitalise on the opportunities presented by the new retail landscape in Ireland, retailers need to look internally and redefine their offering. Retailers need to adapt their store proposition as well as their store portfolio in order to maximise the consumer experience. Fewer stores will be required, with stores amended to become a brand and product showroom, making the retailer leaner and more focused on newly formed consumer expectations.

There are a number of local authority initiatives which could potentially assist in regenerating the high street including:

- reduced parking costs
- more events to encourage increased footfall
- roll out of a buy and re-let scheme of vacant premises to offer a full shopping experience to the consumer
- relaxed planning incentives to encourage easier change of use
- more flexible payment arrangements for rates

The future of the high street

Figure 6: Consumers' attitudes towards the future of the high street



Deloitte research shows that the majority of consumers would like to see more services for the disabled, children and young people on the local high street.

Interestingly, 63% of consumers would use a dedicated collection point on the high street for smaller goods ordered online, and 62% of consumers indicated that they would like to see empty points on the high street used as pick up points for goods ordered on the internet, a trend reflecting the transformation of the modern high street from traditional models.

With consumers wanting a more fulfilling shopping experience, the two greatest consumer complaints² are pricing and the lack of available staff to help with consumer queries³ which are further emphasised and need to be addressed by retailers. Advances in technology place further pressures on high street retailers in this regard as online retailers are afforded the opportunity to almost eliminate both of the above through discounted pricing due to lower overhead costs, and allowing consumers to select the items they want from the stock range available with a helpline or instant chat messenger function available for any queries.

The accessibility of online retailers has multiplied in recent times with the improvement and growth in the internet, smart devices and availability of wi-fi. Technology has enabled consumers to take control of their shopping experience, providing access to a number of different stock ranges and pricing points at the touch of a button. The growth in online shopping and the need for quicker fulfilment times has provided opportunities for more flexible solutions such as collection points on the high street.

The roll out of in-store wi-fi will allow retailers to gather valuable consumer data on consumer trends by providing visibility on what products or competitor websites they visit while in-store. This will allow retailers to improve their marketing solution through personalising their offering to the consumer. The data also provides the retailer with information on consumer behaviour, specifically around their main competition. However, retailers should remain cautious as it is imperative that consumer privacy is maintained as this is likely to have a direct impact on consumer loyalty towards the retailer. Other technology supports which retailers could consider include push applications to ensure the localised marketing of products, and the use of in-store tablets as order systems.



Deloitte perspective: Remaining competitive

High street retailers, through the integration of certain technology solutions in-store, can combat some of the competitive pressures enforced by online retailers and use the advances in technology to help reshape their business. So, what can retailers do to continue to play a significant role on the high street?

- **Create a seamless environment for the consumer through integrating online and offline channels.**
- **Create a more tailored and personalised experience for consumers, by using consumer behaviour data collected.**
- **Develop and invest in new revenue sources such as added in-store services.**
- **Continue to monitor competitor stock ranges across all channels to remain competitive. Using consumer data will further enhance retailer's insight in this regard.**

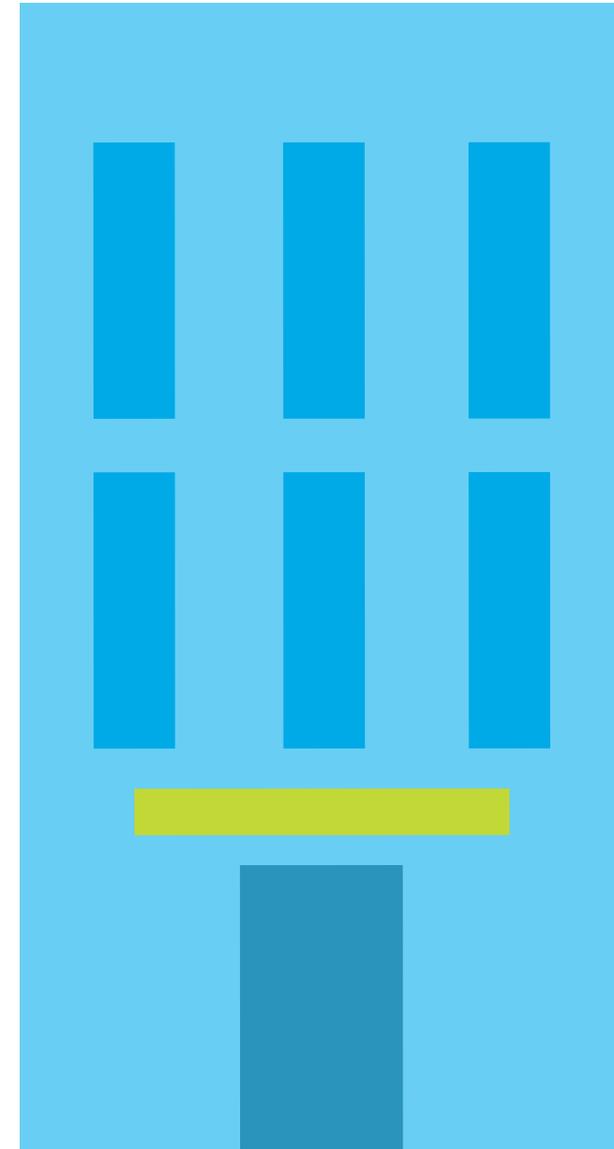
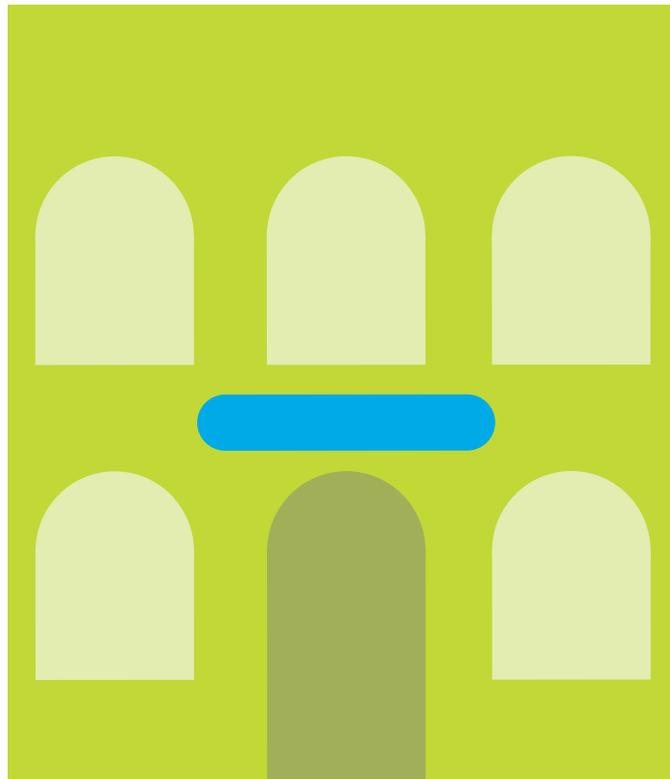
The Deloitte Ireland Consumer Tracker

In addition to addressing some of the key opportunities and challenges facing consumer business organisations, as part of this research, we also provide an overview on consumer sentiment.

The Deloitte Consumer Tracker is a forward looking economic update focused on consumer spending attributes and behaviours. Through our proprietary consumer survey, we gain detailed insight not only into the patterns of consumer expenditure on a category by category basis, but also the underlying drivers of spending behaviour, notably household disposable income and consumer confidence.

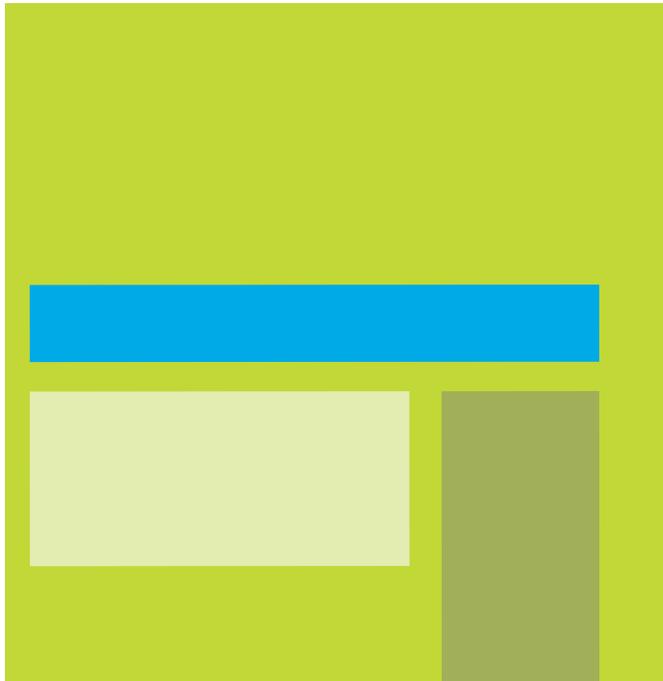
The Deloitte Consumer Tracker aims to reflect consumer confidence levels in the market through monitoring and comparing key consumer indicators such as overall consumer confidence, confidence in level of disposable income, spending essentials and spending on discretionary goods and services.

This is the first issue of the Deloitte Ireland Consumer Tracker and as such, we have surveyed consumers on these key indicators over the previous three months, as well as surveying consumers' outlook for the coming three months.





The Deloitte Consumer Tracker is a forward looking economic update focused on consumer spending attributes and behaviours.



Key observations



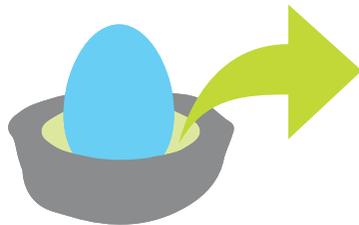
LOW CONFIDENCE

While positive indicators are in existence, consumer confidence remains low, with consumers more pessimistic about job opportunities, job security and their level of debt.



CIRCULATION

Consumers continue to prioritise their expenditure towards savings and debt repayment over discretionary items, leading to less money in circulation.



PENSIONS

Recent budgetary measures, coupled with the readjustment of financial markets, have lead consumers to divert disposable income away from their pension funds.



SEASONAL SPENDING

Seasonal spending continues to feature strongly amongst consumers, with spending likely to increase in categories such as holidays, and extending or refurbishing the family home.



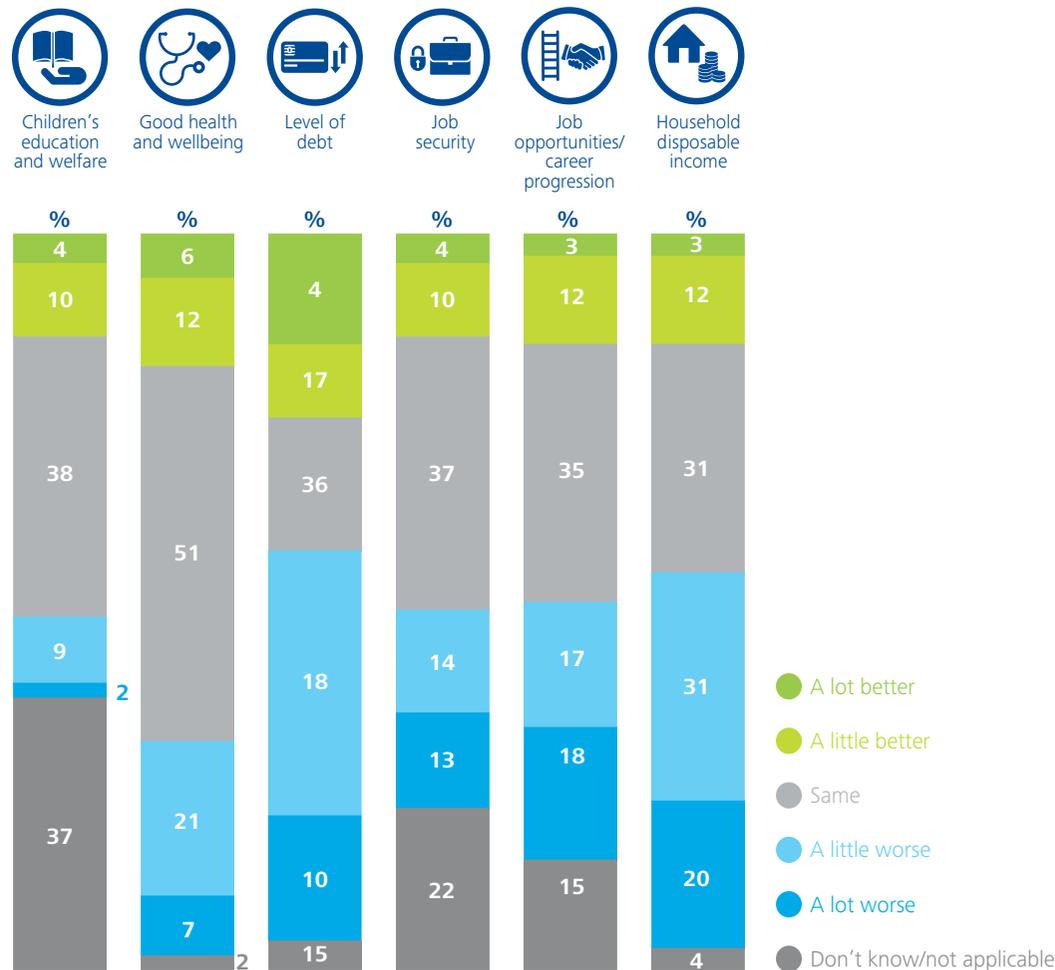
SAVINGS

Consumers have indicated that they expect to repay less debt over the coming months. However, it appears any surplus funds arising from this will likely be put towards savings, rather than discretionary spending.

Consumer confidence

Figure 1: Irish consumer sentiment

Question: Thinking about the following aspects of your life, over the last three months, would you say that your level of optimism or confidence in each area is better, the same or worse?



A net balance of 36% of respondents reported a reduction in confidence regarding their household disposable income over the last three months, while a net balance of 20%, 13% and 7% of respondents were more pessimistic about job opportunities, job security and their level of debt respectively.

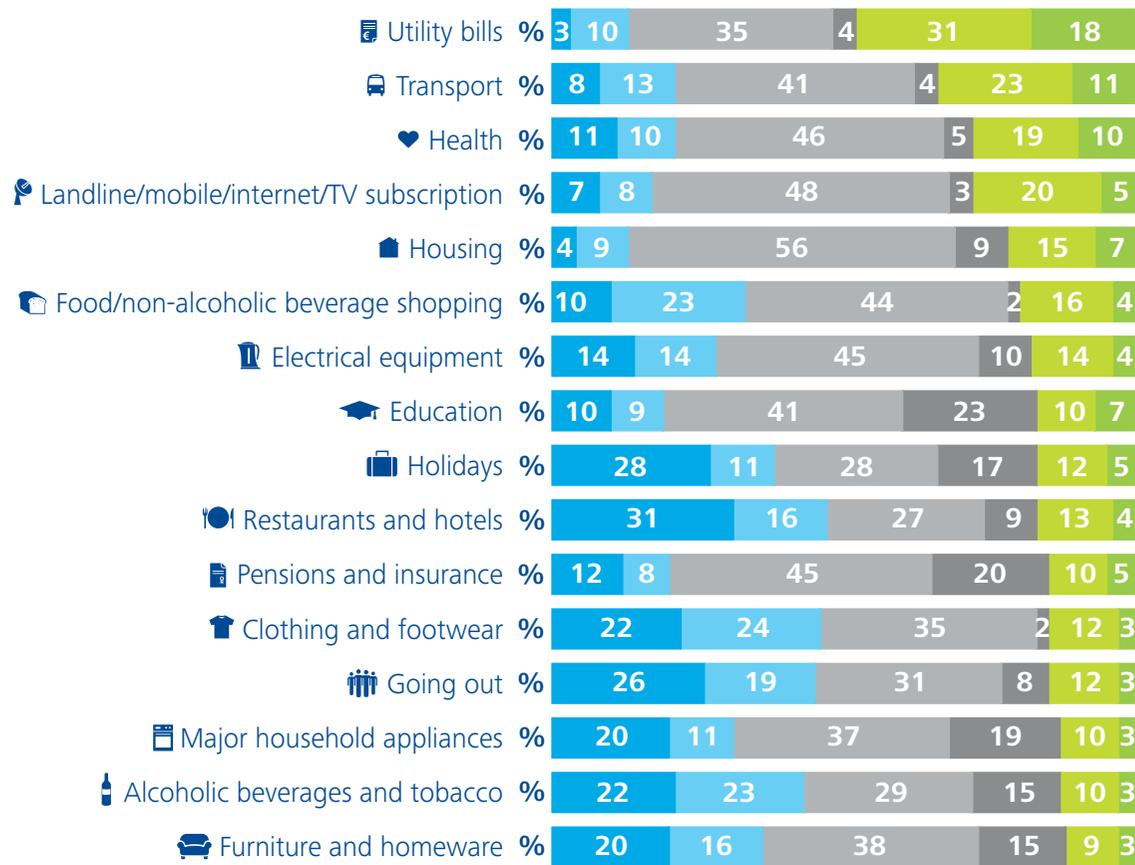
Respondents were most optimistic over the past three months with regards to children's education and welfare reflecting a net positive balance of 3%.

In contrast to the above, the area of most overall optimism among respondents was with regards to the level of debt with 21% of respondents indicating this had improved. This suggests an improving trend in an area which has significantly impacted consumer confidence in the past number of years.

Consumer spending

Figure 2: Irish consumer spending in the last three months

Question: Thinking about all the expenses in your household, for each of the following, would you say you have spent more, less or the same in the last three months compared to what you spent four to six months ago?



Responding to economic pressures, consumers are seeking to prioritise their spending, particularly due to the increase in the cost of everyday items such as groceries, utilities and transport. Consumers are diverting their household expenditure away from discretionary items such as alcohol and tobacco, going out and clothing in order to fund the increase in necessary items.

Over the survey period, 49% of all respondents have seen an increase in their utility spend with a further 34% and 29% seeing an increase in their cost of transport and health costs respectively.

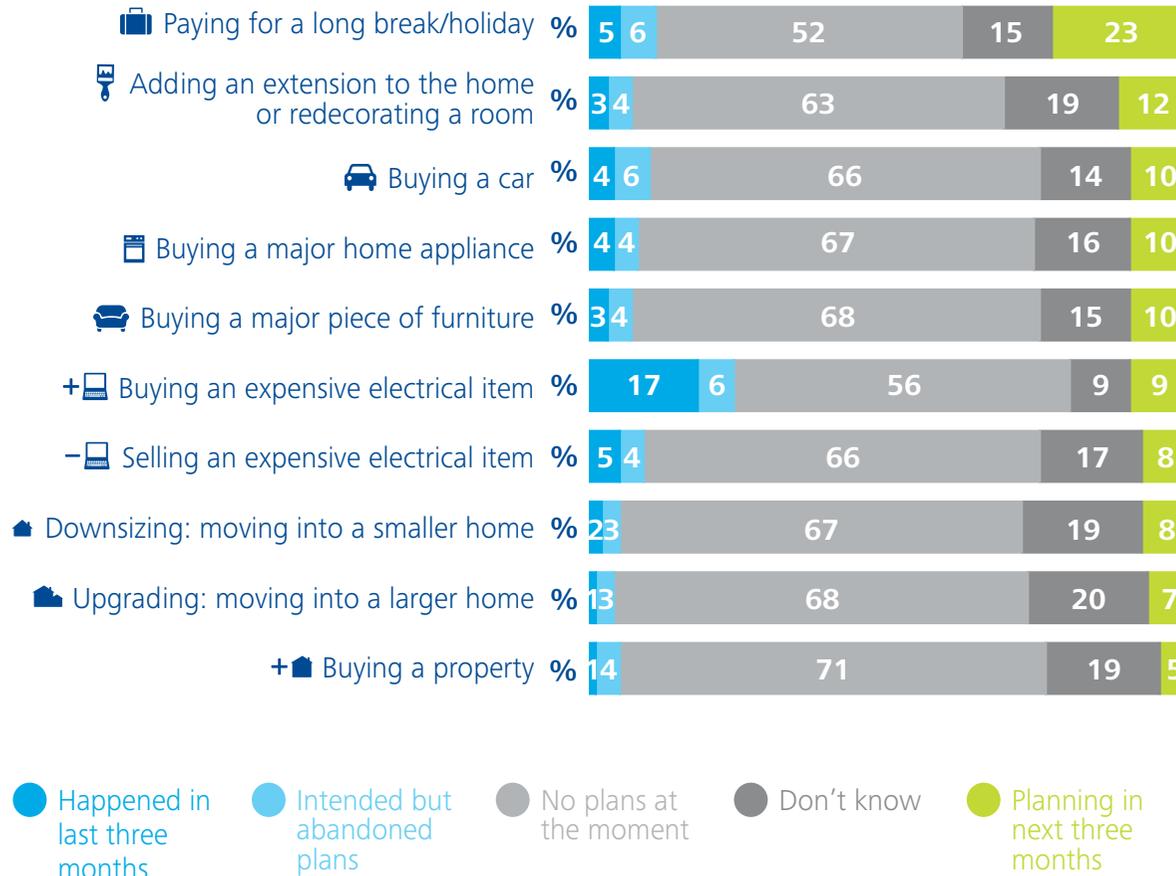
Consumers have funded these increases through cutting back on more discretionary categories. Respondents indicated that 47% have reduced their discretionary spend in relation to restaurants and hotels. A further 46% indicated they have reduced their spend on clothing and footwear with going out, alcohol and tobacco reflecting a similar trend.

Interestingly, 25% of consumers indicated that landline/mobile/internet and cable/TV subscription has increased over the last three months, a trend indicative of society's dependence on modern day connectivity.

● A lot less ● A little less ● Same ● Don't know ● A little more ● A lot more

Figure 3: Irish consumer purchase intentions

Question: Can you please indicate which of the proposed circumstances best apply to you/your household?



The majority of Irish adults remain cautious in terms of how they spend their household income with more than 50% of all respondents indicating that they have no plans to spend at the moment across all categories.

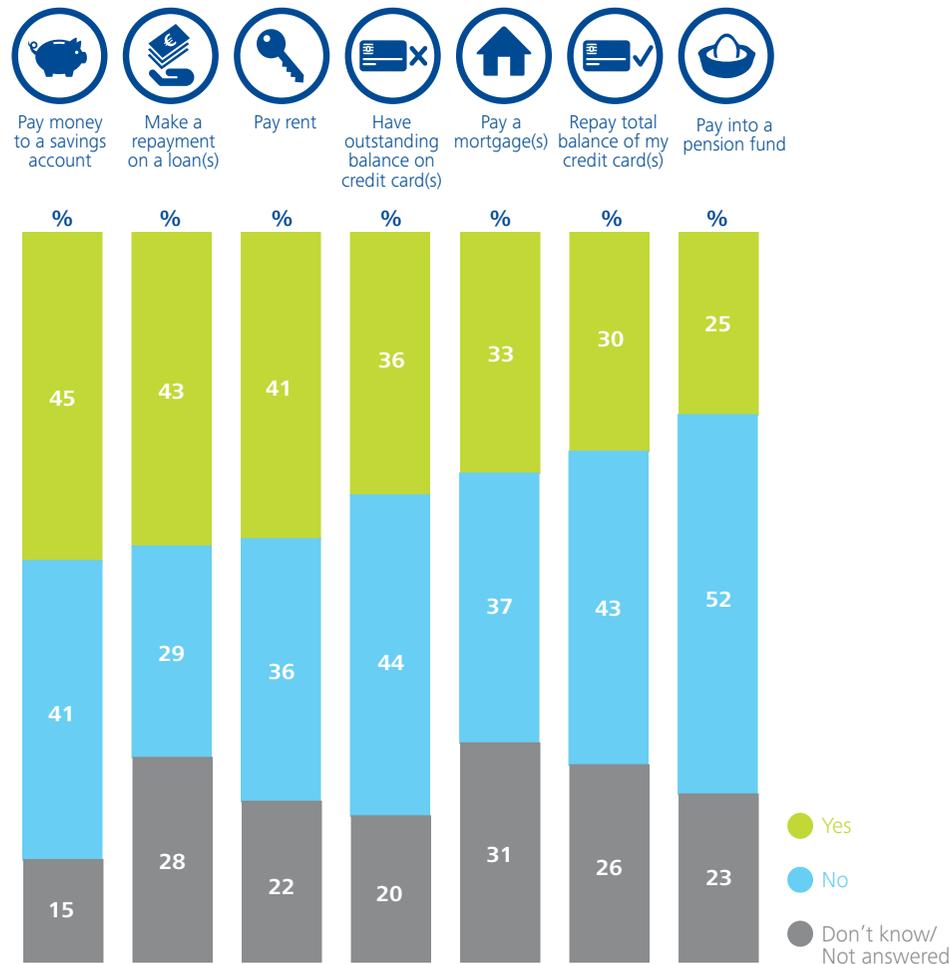
Despite consumers being cautious about how they spend, there is evidence pointing to a willingness by consumers to spend over the next three months, particularly on seasonal or one off items such as a long break holiday (23%), or adding an extension to the home or redecorating a room (12%).

Notwithstanding the forecast reduction in European interest rate lending metrics, consumers appear to have no intention or willingness to enter or re-enter the property market, with only 5% of respondents indicating they will buy a property in the next three months, and just 7% indicating they will upgrade to a new home. The research highlighted that the 25-34 age category are the most likely to move home, either as an upgrade or downgrade.

Outlook

Figure 4: Irish consumer attitudes towards financial obligations

Question: Thinking about your household financial outgoings every month which of the following apply to you?



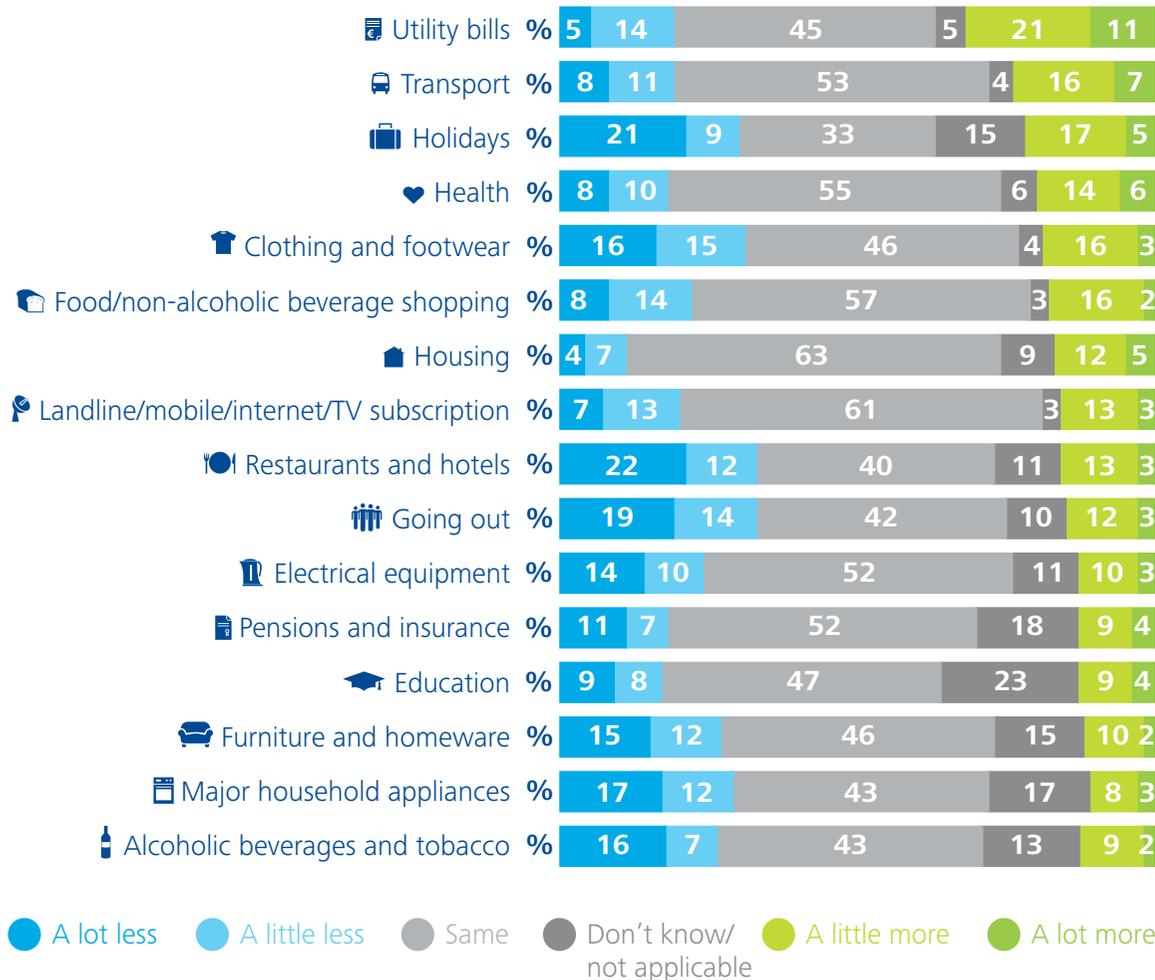
It is clear from our results that consumer's disposable income continues to be taken out of circulation with 45% of respondents indicating they pay into their savings accounts every month. Conversely, consumers continue to make repayments on loans (43%), pay a mortgage (33%) and repay outstanding balances on credit cards (30%) from their monthly disposable income.

Worryingly, 52% of respondents indicated that they do not make a contribution towards a pension fund. This further highlights the fact that consumers have been impacted by the events of the last number of years, and believe building up a savings fund and repaying outstanding debt is more important than contributions to a pension fund.

Looking at consumers' financial obligations in the last three months versus their expectations for the coming three months, we can see clearly that consumers intend on increasing their contributions into savings accounts with expectations around debt repayment decreasing in the coming three months. Of further concern is the finding that people expect to contribute less to a pension fund over the next three months.

Figure 5: Irish consumer spending in the next three months

Question: Thinking about all the expenses in your household, for each of the following, would you say you will spend more, less or the same in the next three months compared to what you spent in the last three months?



Once again, households expect to spend more on non-discretionary items, such as utilities, transport and health with 32%, 23% and 20% of respondents indicating same respectively.

Consumers indicated their seasonal nature with spend expected to increase over the next three months in categories such as holidays (22%) and clothing and footwear (19%), suggesting a potential correlation in these categories of consumer spending.

Similar to the previous three month period, many respondents expect to spend less on restaurants and hotels (34%), going out (33%) and alcoholic beverages and tobacco (23%).

Respondents indicated that in both periods, three months previous and three months ahead, they expect to spend less on larger scale items such as major household appliances (31% previous three months versus 29% next three months) and furniture and homeware (36% previous three months versus 27% next three months).





The high street in Ireland has faced unprecedented challenges over the last number of years, most notably the downturn in the Irish economy which resulted in declining sales volumes and increased liquidity pressures for retailers.

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