Retail Trends 2018
Important notice

The document is proprietary to Deloitte LLP and should not be discussed, presented, copied, reproduced or circulated without the express written authority of Deloitte LLP. Where Deloitte is accredited as the author/source, such authority will not be unreasonably withheld.

Any requests should be forwarded (via email) to: UKDeloitteRetail2@deloitte.co.uk
Agenda

- A look back at 2017
- Christmas Update
- Retail Trends 2018
As predicted…perfect storm hits retail in 2017

Pressure mounts on retailers

<table>
<thead>
<tr>
<th>Consumers under pressure</th>
<th>The continued growth of online</th>
<th>Discounters gaining share</th>
<th>Cost pressures rising</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Weaker pound</td>
<td>• Pureplays scale</td>
<td>• Not just Aldi &amp; Lidl</td>
<td>• Staff costs</td>
</tr>
<tr>
<td>• Inflation up</td>
<td>• Growth of omnichannel</td>
<td>• Growing share</td>
<td>• Business rates</td>
</tr>
<tr>
<td>• Wage growth slowed</td>
<td>• Amazon aggressive expansion</td>
<td>• Physical expansion</td>
<td>• Rising cost of imports</td>
</tr>
</tbody>
</table>
As predicted…perfect storm hits retail in 2017
The industry responds

Cost reduction
- Structural cost reduction:
  - Stores
  - People
- Investing in:
  - Automation
  - Core systems

Consolidation at large space retailers
- Tesco and Booker merge
- Nisa members vote for Coop takeover
- Space within space

Landlords mega deals
- Unibail buys Westfield for $25bn
- Hammerson acquires Intu for £3.4bn

Increase in administration
- 28% rise in administrations in 2017
- 55% increase in number of large retailers
Christmas Update
Christmas update

The numbers are in

- **In store**
  - £35.2bn
  - +3.4%

- **Online**
  - £8.2bn
  - +9.4%

**In-store footfall year-on-year for the 5 weeks to 30 December was down by -5.5%.** (Springboard/BRC)

**£1bn**

UK consumers spent £1bn on food this Christmas, where the 22 December was the biggest grocery shopping day ever. (Kantar)

**2/3**

£2 out of every £3 spent on Christmas day was on mobile. On Black Friday, there was a record £1.4bn spent, which was up by 11.7%.

**+6.4%**

Data shows that general merchandise sales were up 6.4% online but down 4.4% in-store. (BRC)
Christmas update
Who were the winners & losers

Christmas period like-for-like 2017 v. 2016

**Total sales**
**Online sales**

### Clothing & Footwear
- **Boohoo.com**: +100%^**
- **Mountain Warehouse**: +38%
- **Joules**: +12.6%^*
- **Superdry**: +19.2%^*
- **Ted Baker**: +8.0%^*
- **Fat Face**: +8.0%^*
- **Matalan**: +7.3%^*
- **Primark**: +7.0%^*

### Electricals
- **Dixons Carphone**: +6.0%
- **AO.com**: +11.4%^**
- **Amazon**: +????
- **Selfridges**: +10%

### Home & DIY
- **Topps Tiles**: +3.4%
- **Dunelm**: +3.4%
- **Halifax**: +2.9%
- **John Lewis**: +3.1%
- **Debenhams**: +2.6%
- **House of Fraser**: -2.9%

### Department Stores
- **Moss Bros**: -1.1%
- **M&S**: -1.1%
- **B&Q**: -2.8%
- **Boux Avenue**: -3.6%
- **Carpeinte**: -3.6%

### Food & Grocery
- **Lidl**: +16.0%^*
- **Aldi**: +15.0%
- **Fortnum & Mason**: +13.0%
- **Coop**: +6.2%
- **B&M**: +3.9%
- **Majestic Wine**: +3.7%
- **Greggs**: +3.7%
- **Tesco**: +2.0%
- **NISA**: +1.7%
- **Waitrose**: +1.5%
- **Poundland**: +1.1%
- **Sainsbury’s**: +1.1%

Please note these numbers are not audited, not reported for the same periods and therefore have to be treated with caution.

*Total sales**
**Online sales**

---

*Copyright © 2018 Deloitte LLP. All rights reserved.*
What characterised the winners this Christmas?

<table>
<thead>
<tr>
<th>Food retailers</th>
<th>Discounters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online</td>
<td>Newness and excitement</td>
</tr>
</tbody>
</table>
Looking ahead to 2018
A better year for the UK consumer?

The rate of inflation is forecast to reduce during 2018
And wage growth is expected to rise
We expect to see some easing of pressure on consumers disposable incomes.
Structural change
Retailers cast a critical eye on store portfolios

1. Recent trend in store closures across all sectors
2. Demand from Leisure and Services is drying up
3. Administrations will release even more space on to the market
4. Therefore the rate of closures is set to increase

Net 5,500 store closures in 2017 up from 300 in 2015

Source: Deloitte/LDC
Retail Trends 2018
Retail trends for 2018

What’s next for retail?

Experiment with experience
- Shop in magical reality
- Get personal with AI
- Design for the eye

Reimagine the store
- Be more than a store
- Put digital in your physical
- Sell online in-store

Transform your business
- Try, try, try before you buy
- Answer the direct question
- Discover the value in your values
Reimagine the store
Be more than a store
Reimagine the store
Put digital in the physical

ALIBABA TO OPEN 30 HEMA SUPERMARKETS IN 2018

BLACK FRIDAY POP-UP BRINGS MARKETPLACES TO PHYSICAL LOCATIONS
Reimagine the store
Sell online in-store

PUREPLAYS OPENING STORES – BUT VERY DIFFERENT STORES!

YEEZY, KITH & SUPREME – ONLINE EXPERIENCES DELIVERED IN-STORE
Experiment with experience
Shop in magical reality

AR/VR FUTURE OF FURNITURE RETAIL?

BURBERRY ADDS AR TO ITS APP EXPERIENCE

AMAZON & APPLE PROVIDE PLATFORMS FOR RETAILERS TO SCALE AR

1) Amazon Summerian

2) Apple AR Kit
Experiment with experience
Get personal with AI

Scaling Investment in AI

Personalising the Shopping Experience

Personalising the Product Experience
Experiment with experience
Design for the eye

VISUAL SEARCH

SHOPPABLE VIDEO

THE ROBOT EYE
Transform your business
Try, try, try before you buy

**KLARNA MICO-CREDIT CHECK BASED PAYMENT EXPANDS IN THE UK**

**AMAZON PRIME WARDROBE FACILITATES TRY BEFORE YOU BUY**
Transform your business

Answer the direct question

UNILEVER DEVELOPING ONLINE AND OFFLINE RETAIL BUSINESSES

BLOCKCHAIN PROVIDES PLATFORM FOR DIRECT TO CONSUMER ECOSYSTEM
Transform your business

Discover the value in your values

DESIGNED FOR DONATION

People ask us all the time if we donate the same socks that we sell. The answer is yes, we donate something special. Working closely with our giving partner, we engineered a sock to specifically meet the needs of people who don’t have the luxury of putting on a clean pair of socks every day. An anti-microbial treatment ensures they don’t need to be washed as often, and reinforced seams and darker colors give them greater durability with less visible wear.

BOMBAS BUY ONE, GIVE ONE

When you gear up, we give back.

Nearly 70% of our profits go back to the outdoor community.

REI SUPPORTS CONSERVATION & COMMUNITIES THROUGH VOLUNTEERS AND DONATION

PROVENANCE CREATES TRANSPARENCY AND AUTHENTICITY

Copyright © 2018 Deloitte LLP. All rights reserved.
Our to do list for 2018
Reimagine the store, experiment with experience, transform your business

1) Be more than a store
2) Put digital in your physical
3) Sell online in-store

4) Shop in magical reality
5) Get personal with AI
6) Design for the eye

7) Try, try, try before you buy
8) Answer the direct question
9) Discover the value in your values

Reimagine the store
Experiment with experience
Transform your business
Deloitte Insight
Our latest thinking for retail

- Global Powers of Retailing 2018
- Retail 360/Connected Stores
- Deloitte Consumer Review: The Brexit Consumer
- Retail Productivity: Shop for tomorrow’s workforce
- TMT Predictions 2018
This publication has been written in general terms and we recommend that you obtain professional advice before acting or refraining from action on any of the contents of this publication. Deloitte LLP accepts no liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London, EC4A 3BZ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NWE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NWE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

© 2018 Deloitte LLP. All rights reserved.