



THE 2017 UK RETAIL MARKET OPPORTUNITY:

YOUR INDEPENDENT
AND AUTHORITATIVE GUIDE
TO THE UK RETAIL MARKET

Produced in collaboration with:



GlobalData.





WELCOME

Welcome message from **Louise Young**,
Managing Director of Retail,
Ascential Events

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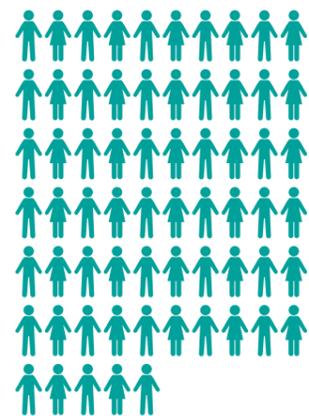
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The UK retail industry is undergoing enormous change as it adjusts to the realities of today's highly connected and digitally-driven world. This is happening against another reality which is the enormous competitive pressures faced by the UK's retailers. Ask any retail expert and they will confirm that the UK is one of the toughest and most competitive markets in which to operate. The commencement of Brexit negotiations will no doubt create further uncertainty over the next two years.

But these factors do not render UK retailing unattractive. Far from it. Competition has created some of the most innovative, creative and successful retailers in the world – both small, medium and large. The UK consumer still loves to shop, though needs to be enticed by great new product and attractive stores or websites.

This special report provides deeper insight from experts and key statistics on the UK market to help all those considering entering this outstanding retail landscape. Our retail shows: Spring Fair and its sister event, Autumn Fair, Pure London, Jewellery & Watch and Glee have been serving the UK retail industry for many years.

I know that retailers across these sectors are passionate about their businesses and thrive on the sheer pace and opportunity to bring together the very best products for their customers. We also know that it is getting ever harder to tempt customers to buy. But they will buy great new products and that is why at all our shows we seek to bring together the world's best suppliers to meet with the UK's retail buyers. I am delighted that we have updated this UK Market Report for 2017 to tell the world about the strength and attractiveness of retailing in this country.



65.1 MILLION
UK POPULATION
IN 2016

GDP per head £28,448
Office for National Statistics

**4.6% UK
UNEMPLOYMENT
RATE. LOWEST
SINCE 1975**

Office for National Statistics

THE HEART OF SUCCESSFUL RETAILING

Message from **Helen Dickinson OBE**, Chief Executive,
British Retail Consortium

As Chief Executive of the British Retail Consortium, I welcome any initiative to promote and support retailing in the UK. The BRC is the UK's leading retail trade association, aiming to make a positive difference to the industry and the customers it serves. We cover all retail, large, small, digital and physical.

Retail is an exciting, diverse and dynamic industry undergoing transformational change. Our world-leading industry contributes £96 billion annually to the UK economy and is the largest private sector employer with over three million members of staff.

Technology is the main driver of the transformation. Consumers can buy any product, any time, any way and retailers are constantly innovating to provide the high standards of customer service through exciting new developments. Digital innovation therefore lies at the heart of successful retail and in fact over the last year, retail has been the driver of the improvement in UK productivity.

The challenge lies in how retailers navigate the complexities presented by economic headwinds in a time of such profound structural change. For many, it offers an opportunity to reinvent their business and competitive model for lasting advantage. Fundamentally though, successful retailing will always be about understanding the customer. With the support of public policy, it will be the resilience, enterprise and sheer hard work of our retailers, that will help keep prices down, deliver great service for customers - and ultimately - see the industry thrive.

We look forward to growing together with you, at a time of unprecedented challenges but also exciting new opportunities.



Helen Dickinson OBE,
Chief Executive,
British Retail Consortium



1 THE ECONOMY

UK REMAINS RESILIENT DESPITE UNCERTAINTY

+5.6%
RETAIL SALES GROWTH APRIL 2016-2017

2 STRONG GROWTH

ONE OF THE FASTEST GROWING EUROPEAN ECONOMIES

+2.8%
2017-2022

3 EASY TO OPERATE

THE UK WELCOMES BUSINESS WITH LOW BUSINESS TAXES



6 BOOMING e-COMMERCE

UK LEADING THE WORLD IN e-COMMERCE SALES AS % OF TOTAL RETAIL SALES. THIS IS BOOSTING DEMAND FOR NEW PRODUCT AND OPENS UP ENORMOUS MARKET POTENTIAL

7 WORLD-CLASS RETAILING

HAVING LEARNT HOW TO OPERATE IN GOOD AND BAD TIMES, UK RETAIL IS TRANSFORMING TO BE READY FOR THE NEW RETAIL LANDSCAPE

8 KEY REASONS FOR FOCUSING ON THE UK



8 INNOVATIVE INDEPENDENTS

THE LIFEBLOOD OF RETAILING, SMALL, ENTREPRENEURIAL RETAILERS CONTINUE TO FLOURISH BOTH ON AND OFFLINE

4 THE UK CONSUMER

CONTINUES TO LOVE SHOPPING - HARDER TO PLEASE BUT HAPPY TO BUY NEW AND INTERESTING PRODUCTS

5 OPEN-MINDED



UK RETAILERS KNOW THAT THEY WILL ONLY ATTRACT CUSTOMERS THROUGH CONSTANT NEWNESS. THEY ARE PREPARED TO SEARCH THE WORLD FOR THOSE NEW PRODUCTS AND NEW SUPPLIERS TO KEEP CUSTOMERS COMING BACK



WHAT MAKES GREAT UK RETAILERS?

The UK's retailers innovate to survive argues leading retail expert Maureen Hinton, Group Research Director at GlobalData Retail



Maureen Hinton
Group Research Director
Globaldata Retail.



AMONG THE BEST IN THE WORLD

One of the main factors that makes UK retailers among the best in the world is the environment in which they have to trade. The UK is one of the most competitive global retail markets. It is mature, and any significant growth comes at the expense of competitors, and there are plenty of those fighting to take share. Meanwhile consumers have easy access to the competition as we live in a small country with a high density population with plenty of shopping opportunities, both physical and online.

Alongside the market maturity, operating costs are high, so in order to exist and thrive retailers have to be very good at what they do. They must provide products consumers want to buy, in an environment that entices them to buy, and with services that ensure the buying process is fast and efficient, and all of this has to be executed profitably.

So against this backdrop UK retailers have been forced to innovate in order to survive. For example the UK is regarded as the leader in online retailing, having recognised its potential and invested heavily in it years ahead of other countries' retailers. They also understood that physical retail is still an essential part of the shopping experience for consumers, and have developed the omni-channel experience and adapted retail formats to fit how we now shop.

But what drives this innovation, apart from necessity, is retailers being in tune with what consumers want – what drives their spending. We are all talking about how consumers are looking for experiences as well as products when they go shopping, but there are retailers, such as Selfridges, that have been catering for this trend for years. This understanding of consumer trends, the willingness to innovate, and having some great retail examples to follow is how the UK remains a force in modern retail.

“WHAT DRIVES THIS INNOVATION, APART FROM NECESSITY, IS RETAILERS BEING IN TUNE WITH WHAT CONSUMERS WANT”



PROJECTED RETAIL SALES GROWTH 2017-2022

2017



2022



(Planet Retail/RNG).
Growth rate in local currency

THE WORLD'S DIGITAL RETAIL LEADER

The UK's consumers have embraced e-commerce like no other country in the world. Which has made UK retailers amongst the most multi-channel explains **John Mercer**, Senior Analyst at Fung Global Retail & Technology



John Mercer,
Senior Analyst at Fung Global
Retail & Technology



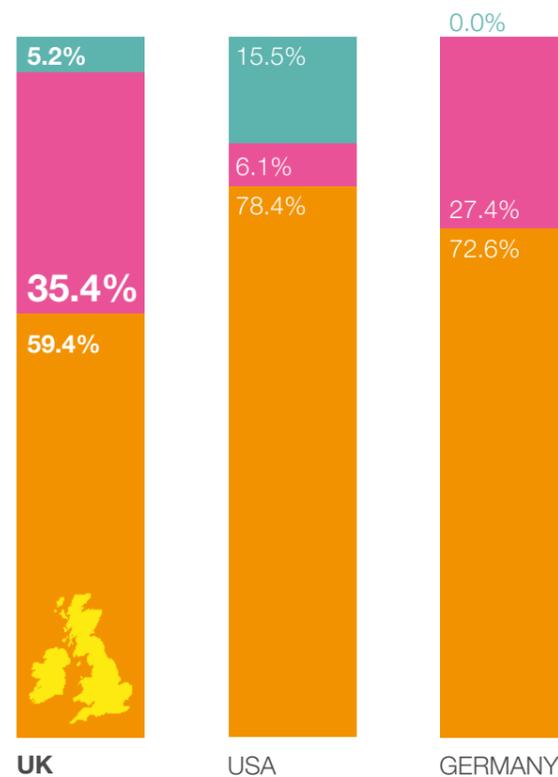
The UK is at the forefront of digital retailing among Western markets. Relative to countries such as the US and Germany, the UK sees e-commerce capture a greater share of sales and mobile commerce accounts for a larger proportion of e-commerce. Services such as click-and-collect are more developed in the UK, too. It is an e-commerce market that will be worth around £60 billion this year, we estimate.

We also see three other characteristics contributing to the diverse and thriving UK e-commerce and multichannel retail market:

ESTABLISHED MULTIBRAND RETAILERS HAVE LED THE CHARGE ONLINE

First, British brick-and-mortar retailers have, in general, managed the shift to digital retailing better than their counterparts in other Western countries. A number of major UK multibrand retailers moved online early and convincingly, retaining relevance in a digital age. As a result, brick-and-mortar names are more prominent among the top tier of internet retailers in the UK than they are in countries such as Germany and the US.

UK'S BRICK AND MORTAR RETAILERS TAKE BIGGER SHARE OF ONLINE SALES



Source: Euromonitor International/Fung Global Retail & Technology

The UK's established retailers have proved more successful than other leading retailers in the world at retailing across offline and online channels

- Internet only
- Bricks-and-Mortar
- Catalogue

INNOVATIVE E-COMMERCE PURE PLAYS OFFER COMPETITION TO AMAZON

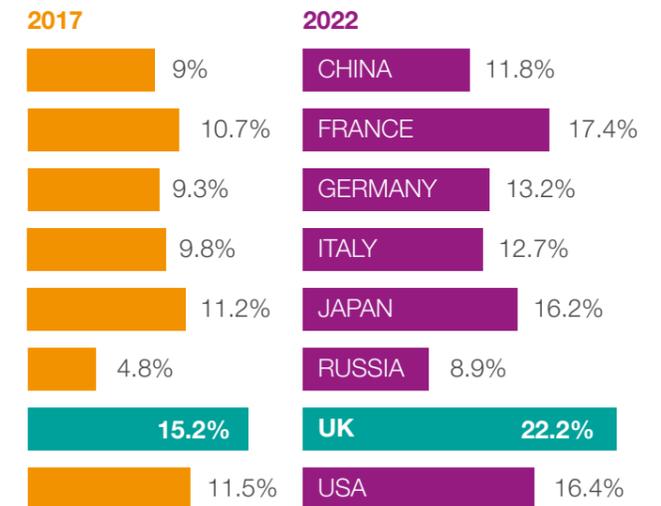
Second, and despite the prominence of brick-and-mortar players online, the UK is home to a substantial number of sharply focused multibrand pure plays. ASOS in fashion, AO.com in electrical goods and Ocado in grocery have become significant routes to market for brands in their respective fields. These kinds of retailers appear to have dented Amazon as much as they have their brick-and-mortar rivals: Amazon captures a lower internet market share in the UK than it does in Germany or the US, according to data from Euromonitor International.

MARKETPLACES ARE BOOSTING DIRECT-TO-CONSUMER SALES

Third, an emerging characteristic is the bypassing of retailers in favor of selling directly to consumers, notably through e-commerce marketplaces. From Amazon Marketplace to Farfetch to Zalando, marketplace sites that aggregate offerings from third-party sellers are growing in prominence and adding to the diversity in UK e-commerce.

The marketplace trend allows emerging and big-name brands to sell and ship directly to consumers instead of wholesaling to retail intermediaries and so increasing the opportunities to tap the substantial UK e-commerce market.

UK LEADS THE WORLD IN e-COMMERCE



ONLINE SALES AS % OF RETAIL
(Planet Retail/RNG)



65%
PROPORTION
OF ALL UK
RETAIL STORES
OPERATED BY
INDEPENDENTS
 Source: LDC and bira
 Retail and Leisure Report

59%
OF INDEPENDENT RETAILERS
"REASONABLY
OR VERY CONFIDENT"
 Source: 2017 bira member survey

"IF I WERE
A MAJOR BRAND
COMING TO THE UK
IT WOULD BE FOOLISH
NOT TO FACTOR
INDEPENDENTS INTO
A SIGNIFICANT PART
OF MY MIX"

14,621
NUMBER OF
INDEPENDENT
STORES OPENED
IN 2016

INDEPENDENT VIEW



The UK's independent retail sector has proved itself to be very resilient and hungry for innovative new product to serve their customers says **Alan Hawkins**, CEO of the British Independent Retailers Association

Confidence still reigns in the UK independent sector despite all the downside worries. **Let's be realistic, in that the form of Brexit isn't going to be clear for another two years at least.** A devalued pound sterling is putting pressure on prices that retailers, at the end of the day, will have no option but to pass on. Our latest survey shows 51% of members suffering modest margin pressure and 39% significant pressure. So why do bira surveys show optimism amongst independent retailers with 59% "reasonably or very confident"? Why are net openings for independents the only growth area in the LDC/bira Retail and Leisure Report, with national multiples continuing to cut back on their estates?

The reason is that independents are much more responsive. They quickly diversify and add value to the spending proposition, they don't have to wait for head office instructions. They understand their geographical areas and that one size doesn't fit across the UK. Localism is a growing force in retail. They are respected in their areas and build customer loyalties national groups would die for. It's true that the biggest growth areas are where the customer must be present, a haircut, a cup of coffee etc., but fashion and quality products demand that anyway. If I were a major brand coming to the UK it would be foolish not to factor independents into a significant part of my mix. Independents respect

brands, I might say love them. They don't cherry pick as they are keen to widen ranges to give themselves differentiation. Independents are aware of price but don't get hung up on it, so the margins for both supplier and retailer can be acceptable. If you look at the towns with the largest percentage of independents it's a staggering 80%+, the Glastonbury's, Plaistow's, Deptford's and Chingford's of this world. The consumer is of course key in this. UK consumers have proved resilient despite economic concerns, indeed the post Brexit referendum vote didn't lead to any slowdown, quite the reverse. Maintaining consumer confidence, keeping interest rates low, and with it mortgage payments, is vital to disposable income. Britain is very well placed to see its retail sales flourish in the years ahead. Smart retailers, the responsive, proactive, experience based ones, dare I say it 'the independents', continue to make good trading partners for the major brands to partner with.



Alan Hawkins,
 CEO,
 British Independent Retailers Association



DOING BUSINESS IN THE UK

The UK is one of the leading destinations for foreign businesses and is the number one destination for inward investment in Europe helped by its highly competitive business environment.

To help international businesses enter the UK, either by selling directly to retailers or by setting up their own distribution, the UK Government has a well-developed network of international offices, integrated advisory services and extensive online information.

The Department of Trade and Industry (DIT) produce a series of information sheets specifically for international companies. Full information can be found at

www.great.gov.uk



A NUMBER OF QUESTIONS ARE CRITICAL TO ANSWER WHEN ENTERING A NEW MARKET:

CUSTOMERS? Who are your target consumers and what are their needs and preferences? To what extent is that different from your core target in your home market? What are the implications in terms of adapting the ranges and price points to the new market?

COMPETITION? Which of the existing players are already targeting your potential customers? What is their proposition? What does this mean for your own proposition?

VALUE PROPOSITION? What is your proposition in terms of product, price and service offering that is relevant to the target consumers and different from the competition? What is your brand USP?

FORMAT AND CHANNEL PRESENCE? What is the preferred channel mix that is going to allow you to a) serve the customers as they prefer b) balance initial resource investments and risks?

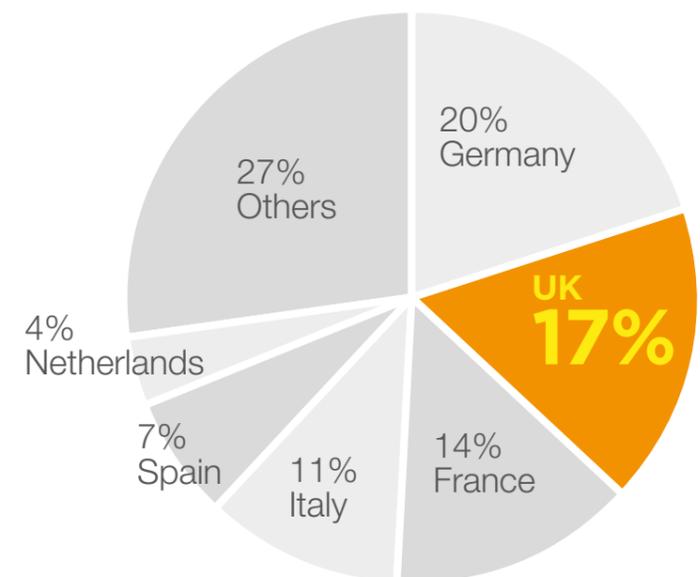
REGULATORY CONSIDERATIONS? What tax and duty implications need to be considered when developing a pricing strategy? What are the implications in terms of targeted margin/profits? Are there specific employment laws that will have implications when potentially exiting the market?

METHOD OF MARKET ENTRY? Do you invest directly or do you choose a partner? What is the best entry mode based on your ambition in terms of speed of market entry and risk appetite? Own stores versus wholesale model/concession in department stores to minimise the risk?

OPERATIONAL IMPLICATIONS? How do you best serve the market? What are the implications for the supply chain? When is the tipping point to build warehouse capability in market? How will returns be handled if entering online only?

2015 GDP (NOMINAL) IN THE EU

Source: IMF



THE UK IS THE SECOND BIGGEST GDP IN EUROPE

THE ATTRACTIONS OF THE UK MARKET

Every market will have its challenges and the UK is no different. But the UK also offers real attractions for international suppliers. We asked some experts to tell us why.



Ekrem Utku
CEO, World Brands Consulting
Enabling Turkish companies to export



THE APPEAL FOR TURKISH BRANDS

“As many retailers and industry experts point out, the UK has always been one of the toughest and most competitive markets in the world. At the same time, it provides wide opportunities for international retailers and talented suppliers. Those companies should use this big potential by selling to the UK retail companies or penetrating in the market.

The fashion industry is one of the most attractive and important sectors in UK retail. Companies from main supplier countries have many advantages in this area with skills in design and production quality delivered at low-cost, which allows UK retailers to focus on the business they know the best: selling to the customer.

This is the case for Turkish suppliers and brands in the UK retail market. Turkey has always been one of Europe’s main supplier countries and Turkish producer companies have priceless experience in the market. And over the last 2-3 years UK retail has witnessed the penetration of Turkish food and non-food retail brands. This can be an example for international suppliers and brands who are looking at the potential of the UK.

Online retailing is another window of opportunity in selling in the UK retail. With e-commerce sales in expected to be more than 20% in the UK by 2021, this will provide international suppliers with the opportunity of producing and selling with higher volumes to the UK retailers. On the other hand the new comers to the market within the e-commerce system or with physical stores- will embrace new opportunities.”

“SUPPLIER COUNTRIES, SKILLS IN DESIGN AND PRODUCTION QUALITY, DELIVERED AT LOW-COST, ALLOWS UK RETAILERS TO FOCUS ON THE BUSINESS THEY KNOW THE BEST: SELLING TO THE CUSTOMER”

“**FIRST AND FOREMOST GREAT PRODUCT**, great product distinctiveness, newness that offers innovation and a point of difference in the market place. Flexibility with minimum order quantities and delivery, competitive prices and speed to market are also key factors. Above all, we will only work with ethically and socially compliant suppliers to meet our high standards.”

Disa Blackburn,
Head of Buying for Home, Furniture and Gifts at Debenhams

“**OUR KEY REQUIREMENTS** are margin, online strategy, and most importantly how it fits within our edited choice for our target market – i.e. our customers.”

William Coe,
Director, Coes of Ipswich

“**THE THINGS THAT MATTER TO US** are, commerciality, popularity, exclusivity, good stock availability for reordering, regular contact with the supplier and information on upcoming point of sale lines and promotions, support with marketing tools.”

Monique Hirshman, Director, Drakes, Plymouth

“**RELATIONSHIP, PRICE AND USP** (unique selling proposition) are the key considerations when looking to take on new suppliers. We want to work as a partnership, with good marketing support, fast turnaround and exceptional customer service. Ideally, we are looking to work with fewer suppliers, but more frequently. We operate very openly with our suppliers and are always happy to share sales information, which helps the supplier with their own inventories.”

Dominic Wakefield,
Director, Wakefields,
Horsham, West Sussex

UK RETAIL’S SHOPPING LIST

For an international supplier looking at a new market such as the UK, it is important to know what their potential retail customers would expect from them. Here are some key retailers’ suggestions.

“**TO TAKE ON THE RISK OF A NEW SUPPLIER** when budgets and space have already been committed, I’m looking for flexibility like delayed payment or “Sale or Return” stock as well as support in setting up and merchandising the new area. It needs collaboration on both sides. I’m also asking for marketing support such images and content for our website; its great to shout about a new product and get customer feedback on social sites.”

Heidi Towse, Garden Care Buyer, Frosts Garden Centres

UK JEWELLERS SHINE

The UK's retail jewellery sector continues to be dominated by independents who are constantly looking for new and interesting product says **Ruth Faulkner**, Editor of Retail Jeweller



Ruth Faulkner,
Editor of Retail Jeweller

Retail Jeweller
the leading watch and jewellery magazine

The jewellery and watch market in the UK is relatively unique in comparison to many other retail sectors as, even in 2017, it is still dominated by independent family run businesses.

While there are some large multiple chains, such as H Samuel, Ernest Jones, Beaverbrooks, Fraser Hart, Goldsmiths and F Hinds, which have a presence in many shopping centres and larger town centres, the family jeweller is commonplace and remains one of the last bastions of true independent retailing to be found on Britain's high streets.

This independent nature of the jewellery sector means that the retailers that do exist are fairly diverse in nature. While many have remained true to their family heritage and will still offer repairs and bespoke commissions on fine and diamond jewellery, countless others saw the explosion in branded jewellery, which began with the popularity of Danish charm brand Pandora, as an opportunity and have adapted their business models accordingly to sell predominantly fashion jewellery and watches.

Following the Pandora phenomenon here in the UK many retailers continue to look for brands which they feel could in some way represent the "next big thing".

Equally though, as many jewellers have invested money back into their own stores and their own "brand" experience, good quality product featuring precious metal and diamonds, which can be bought white label and sold as the jewellers "own" brand is also proving popular, especially as consumers look to invest in pieces of value that have longevity.

With regard to watches, the fashion watch market which enjoyed impressive growth in the £100-£300 price bracket over the last two years buoyed by brands like Michael Kors is now to suffer, with many jewellers slowing sales in this category.

£4.1 BILLION
UK JEWELLERY
SALES 2015

Source: Mintel

£4.5 BILLION
UK JEWELLERY
SALES 2020

Source: Mintel

£1.13 BILLION
UK WATCHES
MARKET 2015

Source: Mintel

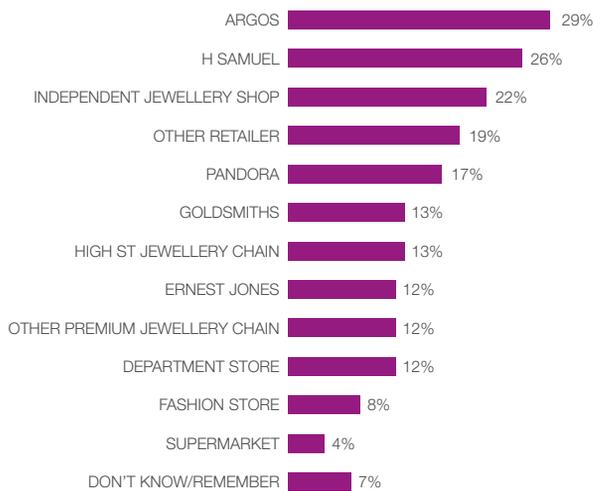
£1.339 BILLION
UK WATCHES
MARKET 2020

Source: Mintel

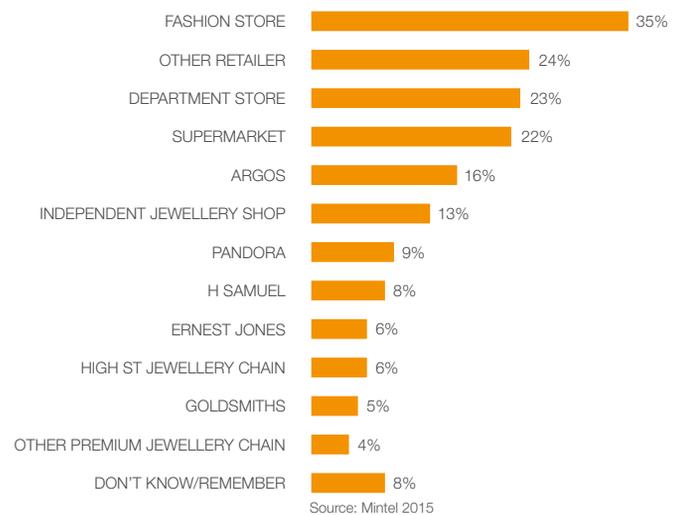
THE UK JEWELLERY AND WATCH MARKET

Where do consumers buy jewellery and watches in the UK?

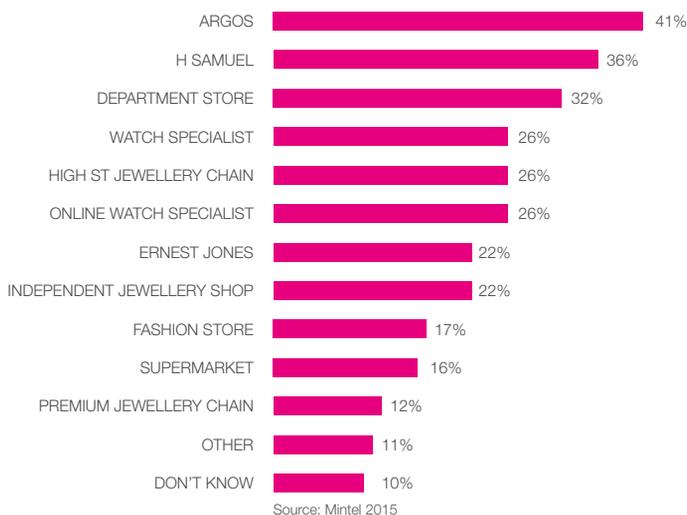
RETAILERS USED FOR PURCHASING PRECIOUS METAL JEWELLERY, EITHER IN-STORE OR ONLINE



RETAILERS USED FOR PURCHASING COSTUME JEWELLERY, EITHER IN-STORE OR ONLINE

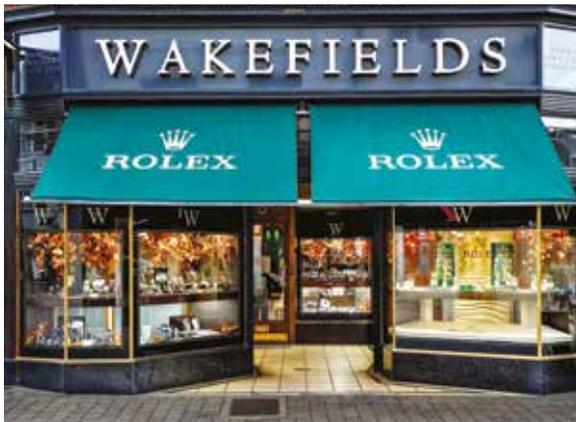


PREFERRED RETAILERS FOR WATCH PURCHASES



WAKEFIELDS' EXPERIENCE

Supplier partnerships are the key requirement for success says **Dominic Wakefield** of leading independent jewellers, Wakefields



Wakefields of Horsham in West Sussex. Looks to brands to provide great marketing support

WHAT WOULD YOU SAY IS IMPORTANT TO YOUR CUSTOMERS AT THIS TIME?

Trust and knowledge are keys to success, combined with a unique and bespoke offering. The internet has hoovered up the branded market, especially within the silver jewellery and lower end watch sector. We have had to evolve to highlight our qualities as trusted professional jewellers and craftsmen, offering our customers, products and services that are unique to the high street. There is a definite move towards localism within the local communities and we all need to go above and beyond our customers' expectations to gain market share. To be a successful jewellery and watch retailer these days you must maintain a very active customer database and CRM system, with engaging events and offers set to 'wow'.

WE WANT TO WORK AS A PARTNERSHIP, WITH GOOD MARKETING SUPPORT

WHEN YOU ARE LOOKING FOR NEW SUPPLIERS, WHAT ARE THE MOST IMPORTANT CONSIDERATIONS FOR YOU?

Relationship, price and USP are the key considerations when looking to take on new suppliers. We want to work as a partnership, with good marketing support, fast turnaround and exceptional customer service. Ideally, we are looking to work with fewer suppliers, but more frequently. We operate very openly with our suppliers and are always happy to share sales information, which helps the supplier with their own inventories.

WHAT ARE THE KEY PRODUCT TRENDS THAT YOU ARE FOCUSED ON?

We definitely see a trend back towards fine jewellery and our focus this year will be to develop our own ranges. Individually hand selected pieces with a story are part of our USP and the trade events are key to be able to source our customers something unique and different. Pre-owned jewellery and watches are huge at the moment, and we certainly have been busy capitalising on developing our ranges. Several designers have started developing recycled fine collections and we see this as an interesting angle to further our customer offering, especially within the bespoke, personalised market.

SPOTLIGHT ON DRAKES

Creating an experience for customers with great products and great people helps bring success says Drakes' Director, **Monique Hirsham**



Monique Hirsham,
Director, Drakes, Plymouth

WHERE DO YOU LOOK TO FIND NEW PRODUCTS AND BRANDS FOR YOUR STORES?

We are lucky in that being a prominent store in Drake Circus, brands tend to find us quite a bit of the time. That said, we see fellow retailers regularly at events and swap information and ideas. Also people in the trade who move jobs will contact us when they have a new brand to show us. Reading the trade press is also a great way to perhaps see something that inspires you. You are always looking for the next "big thing".

WHEN YOU ARE LOOKING FOR NEW SUPPLIERS, WHAT ARE THE MOST IMPORTANT CONSIDERATIONS FOR YOU?

The things that matter to us are, commerciality, popularity, exclusivity, good stock availability for reordering. Regular contact with the supplier and information on upcoming point of sale lines and promotions. Support with marketing tools such as brochures and displays.

HOW DO YOU LOOK TO DIFFERENTIATE YOURSELF FROM YOUR COMPETITION?

Having lines that are exclusive is a great way to be different. Going the extra mile and having a team in store who just love what they do is essential. Creating an experience is what it is all about these days because that is something that online retailers cannot compete with and as shopping is now considered a leisure activity, we need to give our customers a reason to come into our store (other than just buy our products). Our team and how amazing they make our customers feel is everything.

JEWELLERY & WATCH

To find out more about how to grow your business at the UK's leading Jewellery & Watch trade event visit:
www.jewelleryandwatchbirmingham.com



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