

Shops seek cure for summer blues

Retailers had high hopes for this year, but the weather has deflated all but the most resilient. James Thompson reports

After the darkness of a consumer downturn stretching back to late 2007, retailers had hoped to see the light from a high street spending bonanza driven by this summer's Diamond Jubilee, Euro 2012 football and the Olympic Games.

While punters bought miles of bunting for the Jubilee and stocked up on booze to watch Steven Gerrard lead England on their new flat screen TVs, an exceptionally soggy summer sank any hope of a lasting feel-good effect boost on consumer spending.

Indeed, the trading dam appeared to burst on Thursday when retailers, including Halfords, JJB Sports, B&Q owner Kingfisher, and Mothercare blamed, in part, the wet weather for falling UK sales.

Neil Saunders, the managing director of Conlumino, the retail consultancy, says: "Retailers will look back on it as a summer to forget. It promised so much and delivered so little."

The wettest April and June on record – followed by a thus far equally soggy July – has piled the pressure on households already suffering from anaemic wage growth, if not actually unemployed and stubbornly high inflation.

As a result of the summer that never was, some retailers have been left with a glut of stock to shift through clearance sales – in the jargon of Kingfisher chief executive Ian Cheshire, B&Q had taken the "necessary promotional action to clear horticultural stocks" in the UK.

In fashion, big four accountant PwC found that nine out of 10 clothing retailers held sales in the first full weekend of July, with a record average discount of 55 per cent.

At Marks & Spencer, the weather just exacerbated its struggling womenswear department – the chain posted a 6.8 per cent fall in underlying sales of clothing and homewares for the first quarter.

However, beyond the seemingly endless rain clouds, a far more nuanced picture has emerged from across the high street. Sports Direct and John Lewis, for example, have improved their online operations in recent years, so bad weather has less of an impact on them than some of their rivals.

Dave Forsey, the chief executive of Sports Direct, which grew underlying profit by 12 per cent to £235.7m for the year to 29 April, says: "Retailers at the top of their game are still doing well in the inclement and unseasonal weather. Retailers have to get used to these challenges."

Mr Saunders says the poor weather and consumer downturn has separated the "wheat from the chaff, polarising the performance between the good and the bad". Some of the bad has been very bad indeed: French Connection issued its third profit warning in seven months in May, while JJB followed suit this month in detailing the latest in a series of trading and funding problems dating back to 2008.

But the fact that there have not been more profit warnings points to retailers managing stock levels tightly and taking a cautious view on this year's trading.

Andrea O'Donnell, the commercial director at John Lewis, says: "A low growth economy will not have been a surprise to many retailers."

Those retailers which went into the spring and summer season with relatively little inventory, have not been forced to decimate profit margins with reckless clearance sales.

The Jubilee also helped. While the Office for National Statistics revealed last week that sales volumes only grew by a lacklustre 0.1 per cent in June, the festivities did provide a temporary boost to the big grocers, which enjoyed booming sales of strawberries, sausage rolls and scotch eggs.

Furthermore, this summer's events have provided a lift in the electricals and homewares sectors, as well as those selling British-themed products. Simon Calver, the chief executive at Mothercare, the maternity retailer with

1,053 stores overseas, said: "Any product with a Union Jack on it has been doing well. The Olympics is raising awareness of Britain worldwide."

Dixons-owned Currys and John Lewis are among those that have benefited from consumers buying new televisions ahead of the European football championship and the Olympics, in addition to the digital switchover in London and the South-east.

While these events have been a fillip, John Lewis is adamant it has helped itself over the past few years by investing in its electronics and home technology department, such as on improving its in-store service and extending its "Never knowingly undersold" price-match promise to the internet from autumn 2010.

Ms O'Donnell says: "When consumer confidence drops we see a disproportionate amount of traffic. We are a trusted retailer."

There are some decent economic statistics to suggest the second half of the year might not be all bad. The Government said the number of people out of work fell by 65,000 to 2.58 million in the three months to May, while lower petrol prices and strong early discounting in the summer sales drove inflation down to a 31-month low of 2.4 per cent in June.

But the common view of most retailers is that low consumer confidence and the squeeze on real household disposable income – which actually fell by 0.3 per cent last month, according to the Treasury – will continue to dampen consumer spending for the foreseeable future.

Christine Cross, the chief retail adviser to PwC, says: "The second half of the year will be a long one for many retailers, especially those who have brought autumn stock in early to benefit from Olympic sales."

At the very least, retailers will be hoping that the rest of the summer, autumn and winter brings weather that is more conducive to selling seasonal products.

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