

Electrical Goods Retailing - UK - May 2012

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“The electricals sector is heading for further major changes. John Lewis and Currys are showing how it is possible to compete effectively against pure play online retailers, Amazon shows how an online retailer can prosper through the excellence of its fulfilment processes. But we are not convinced that a price led model is enough. Improved information and price matching is taking price out of the retail equation. Retailers must have some other USP and that is what Argos and Comet, both of which are struggling, seem to lack at the moment.”

– Richard Perks, Director of Retail Research

In this report we answer the key questions:

- What is the role of service in electricals retailers?
- Can an Internet retailer really lead on price?
- Will online grow further?
- Is it still possible to make a distinction between online and in-store sales?
- So are we heading for major changes in the market?

The electricals retailers have been one of the worst performing retail sectors in the last couple of years. They have been steadily losing share of all spending on electricals products, though the market itself has been weak. Nor is there any prospect of any dramatic recovery – the housing market remains weak and consumer incomes remain under pressure. Nor will there be any help from technological development. Hi-tech products such as iPads capture the imagination, but they are a small element in the total market.

The weakness of the specialists reflects the success of non-specialists such as John Lewis, the supermarkets and, until the last couple of years, Argos, and online retailers, notably Amazon.

How the specialists can compete against online competition and the non-specialists is a key issue for this report. Central to that is the issue of whether service is important. At present we see a minority of retailers focussed on service and the majority focussed on price. The price led element is currently looking overshopped, so the pressure on the weaker retailers in that segment, notably Comet, is intense.

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