

## Clothing Retailing - UK - October 2012

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“Despite the economic context, consumers grew their clothing spend significantly in real terms in 2011, suggesting an underlying resilience in the market: clothes shoppers may be deterred by rain, but they are very unwilling to cut their purchases in response to a deterioration in their spending power.”

– John Mercer, European Retail Analyst

### In this report we answer the key questions:

- How vulnerable is clothing retail to external factors?
- What’s happening to the mid-market?
- How does social media figure in the customer journey?
- What are the category-extension opportunities?
- In a multichannel world, what’s the value of a store?

Growth in the clothing specialists sector remains closely tied to inflationary trends, with consumers willing to up their spending in the sector when prices rise. Inflationary upticks drove up growth rates for the clothing specialists sector in 2010 and 2011 – but with inflationary pressures easing and deflation returning to the clothing category in mid-2012, we expect the sector to post more muted value growth for 2012 as a whole.

Value retailers with a strong fashion pitch – such as H&M, Primark, and TK Maxx - were among the most consistent ‘winners’ in 2011 – albeit, in many cases, seeing growth underpinned by portfolio expansion. The notable exception to this was New Look, who struggled in what should have been a prime trading opportunity and posted a second year of revenue declines, although there have been indications in 2012 that profitability at least is on an upward path.

Such a positive note cannot be ascribed to M&S, which posted declines in its general merchandise division for three of its four quarters in the 2011/12 financial year. And M&S’s underperformance against the market looks to have continued into 2012. Debenhams, in particular, looks to be picking up share from M&S in 2012, apparently overshadowing its competitor in fashionability and segmentation of merchandise.

As ever, our report includes extensive consumer research looking at where consumers are shopping, as well as their attitudes and behaviours when buying clothing.

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