Department stores have reinvented themselves. They have become destination stores for younger customers offering aspirational brands, complemented by great own brands.”
– Tamara Sender, Senior Fashion Analyst

This report looks at the following areas:

- How have department stores performed over the last year?
- What are the main growth opportunities for department stores?
- How are department stores competing in a multichannel world?

In an increasingly competitive retail market there are many department stores that are outperforming. But sector growth is held back by the weakness of the largest company in our sector definition, M&S. In fact we estimate that sales growth in 2015 was only 1%, less than a third of the rate seen in 2012 and 2013.

All retailing is becoming more demanding, but we think that the most successful in recent years – John Lewis and House of Fraser – provide a blueprint for successful stores in the future. They stand out for their great brands, complemented by strong own brands, combined with first-rate service in attractive, well maintained stores with plenty of places to take a break. But on top of that they have a slick online proposition which must be as compelling as the physical outlets.
Department Stores - UK - April 2016

Table of Contents

Overview

What you need to know
Areas covered in this Report

Executive Summary

The market
Growth slows in 2015
   Figure 1: Best and worst case forecast for department stores sales, 2010-20
Consumer background unhelpful
Companies, brands and innovation
John Lewis leading the sector
M&S bringing up the rear
   Figure 2: Top department stores’ market shares, 2014 and 2015
John Lewis vs M&S
The future of all department stores rests on integrating their online and in-store operations
   Figure 3: Online share of leading department stores sales, 2013-15
Space allocation
   Figure 4: Department stores: Summary space allocation, March 2016
Retail product mix
   Figure 5: Leading Department Stores: Estimated share of sales by broad product category, 2015/16
Brands
   Figure 6: Attitudes towards and usage of selected brands, November and December 2015
The consumer
M&S drops in popularity among women
   Figure 7: Department stores purchased from in the last six months, whether in-store or online, February 2016
John Lewis gets high scores for delivery and returns
   Figure 8: Department stores purchased from in the last six months, in-store or online, February 2016
Customers happy with quality, but scope for improvement in availability of sizes and fashionable clothing ranges
   Figure 9: Satisfaction with last purchase from a department store, by different factors, February 2016
M&S no longer seen as value for money
   Figure 10: Overall satisfaction with last department store shopped at, February 2016
What would encourage shoppers to spend more?
   Figure 11: What would encourage consumers to shop more at a department store, February 2016
Is it worth paying extra for anything?
   Figure 12: Willingness to pay extra for specific delivery options when shopping online at department stores, February 2016
Interest in innovations
   Figure 13: Interest in innovations when shopping at department stores, February 2016

What we think
Issues and Insights

How have department stores performed over the last year?
The facts
The implications

What are the main growth opportunities for department stores?
The facts
The implications

How are department stores competing in a multichannel world?
The facts
The implications

The Market – What You Need to Know

Department store sales £15.4 billion, with modest growth expected.
Most product sectors performing well
Ageing population
Consumer confidence holding up well
Tourism boost

Sector Size and Forecast

Definitions
Growth slows in 2015
Figure 14: Department stores: sector sales, 2011-15

Outlook
Figure 15: Best and worst case forecast for department stores sales, 2010-20

Forecast – The data and methodology
Figure 16: Department store sales in current and constant prices, 2010-20

Methodology

Consumer Spending
Figure 17: Consumer spending on key department store categories, 2011-15

Market Drivers

Aging population
Figure 18: Trends in the age structure of the UK population, 2010-20

Consumers remain cautious, but high earners prosper
Leisure activities prioritised over retail spend
Visitors to the UK on the rise
Figure 19: Overseas residents’ visits to the UK, by area of residence, 2014 and 2015

Key Players – What You Need To Know

Creating exciting places to shop
Fortnum & Mason the top performer
M&S bringing up the rear
John Lewis vs M&S

The future of all department stores rests on integrating their online and in-store operations

Space allocation
Retail product mix

John Lewis invests £35 million in new Birmingham store
Figure 20: John Lewis’ new store in Grand Central, Birmingham

New ‘department-less’ concept
Selfridges launches Body Studio
Figure 21: Selfridges’ new Body Studio department, April 2016

Harrods dedicates October to menswear
Harvey Nichols’ beauty launches

Department stores expand dining experiences
New boutique department store for Sheffield

Advertising and Marketing Activity

Leading department stores cut back on advertising spend
Leading department stores’ advertising spending
Figure 22: Recorded above-the-line, online display and direct mail total advertising expenditure by the leading department stores, 2012-15

Television is now the favoured media type
Figure 23: Recorded above-the-line, online display and direct mail total advertising expenditure by the leading department stores, by media type, 2015

Campaign highlights in 2015

A note on adspend
Figure 24: Annual segment growth: Mid-market versus high-end, 2011-15
Figure 25: Major retailers’ annual sales growth (some estimated) versus average segment growth, 2015
Figure 26: Leading department stores: Net revenues, 2011-15
Figure 27: Leading department stores: Outlet numbers, 2011-15
Figure 28: Leading department stores: Annual sales per outlet, 2011-15

Total sales area
Figure 29: Leading department stores: Total sales area, 2011-15
Figure 30: Leading department stores: Annual sales per sq m, 2011-15

Operating profits and margins
Figure 31: Leading department stores: Operating profits, 2011-15
Figure 32: Leading department stores: Operating margins, 2011-15

Market Shares

John Lewis leading the sector
M&S bringing up the rear
Figure 33: Top department stores’ market shares, 2014 and 2015

John Lewis vs M&S
House of Fraser strong recovery
Department Stores - UK - April 2016

Online

Leading retailers’ online sales
- Figure 35: Leading department stores, estimated online sales, 2012-15
- Figure 36: Online share of leading department stores sales, 2013-15
- Figure 37: Department store sales, 2012-15

Click-and-collect

Space Allocation Summary

Overview
- Figure 38: Department stores: Summary space allocation, March 2016

Detailed space allocation
- House of Fraser refurbished beauty halls
- Debenhams introduces more third-party clothing concessions and eateries
- Selfridges welcomes The Conran Shop
- John Lewis’ in-store home hub
- Food occupies a quarter of M&S in-store space
- Figure 39: Department stores: Detailed space allocation, March 2016

Retail Product Mix

- Figure 40: Estimated Space Allocation of Broad Department Stores Product Categories, 2015
- Figure 41: Leading Department Stores: Estimated sales by broad product category, 2015/16
- Figure 42: Leading Department Stores: Estimated share of sales by broad product category, 2015/16
- Figure 43: Leading Department Stores: Estimated sales density by broad product category, 2015/16

Brand Research

What you need to know
- Brand map
  - Figure 44: Attitudes towards and usage of selected brands, November and December 2015
- Key brand metrics
  - Figure 45: Key metrics for selected brands, November and December 2015
- Brand attitudes: Marks & Spencer is highly trusted
  - Figure 46: Attitudes, by brand, November and December 2015
- Brand personality: Harrods boasts the most exclusive image
  - Figure 47: Brand personality – Macro image, November and December 2015
- Brand personality: Selfridges seen as cutting-edge, yet expensive
  - Figure 48: Brand personality – Micro image, November and December 2015
- Brand analysis
  - Figure 49: User profile of John Lewis, November 2015

Harrods the most differentiated department store

BUY THIS REPORT NOW

VISIT: store.mintel.com
CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094
Americas +1 (312) 943 5250 | China +86 (21) 6032 7300
APAC +61 (0) 2 8284 8100
EMAIL: reports@mintel.com
Selfridges is a fun brand, but could do with customer service improvements

Marks & Spencer enjoys a position of strength

House of Fraser's online service is an area of strength

Debenhams associated with accessibility, but store experience is lacking

M&S drops in popularity among women

John Lewis gets high scores for delivery and returns

M&S no longer seen as value for money

Own-brands are main draw

Creating a leisure and retail destination

Most demand for same-day delivery charges

Millennials most drawn to innovations

M&S drops in popularity among women

John Lewis remains most popular online

Debenhams draws more young women

Where consumers browse

Customers happy with quality, but scope for improvement in availability of sizes and fashionable clothing ranges

Key driver analysis

How the department stores compare

How they perform on pricing and quality

BUY THIS REPORT NOW
How retailers score on fashionability and new product launches

Figure 66: Satisfaction with fashionable clothing range, by department store last shopped at, February 2016
Figure 67: Satisfaction with new product launches, by department store last shopped at, February 2016
Figure 68: Satisfaction with new product launches, by department store last shopped at, February 2016

Delivery, returns and click-and-collect

Figure 69: Satisfaction with delivery services, by department store last shopped at, February 2016
Figure 70: Satisfaction with returns process, by department store last shopped at, February 2016
Figure 71: Satisfaction with click-and-collect, by department store last shopped at, February 2016

What Would Encourage More Shopping at Department Stores

Own-brands are main draw
Figure 72: What would encourage consumers to shop more at a department store, February 2016

Willingness to Pay Extra for Delivery Options

Most demand for same-day delivery charges
Figure 73: Willingness to pay extra for specific delivery options when shopping online at department stores, February 2016

Unwillingness to pay for click-and-collect

Interest in Innovations

Millennials most drawn to innovations
Figure 74: Interest in innovations when shopping at department stores, February 2016

A third of under-25s drawn to visual search apps

Debenhams

What we think

Bolstered multichannel capabilities
First price right price strategy
Reduction in stock levels across weather-sensitive categories, particularly clothing
Renting out under-used shop space
Enhanced customer service programme
Injecting fresh talent into its Designers at Debenhams and other own brands
Partners’ local market expertise driving international expansion

Company background

Company performance
Figure 75: Debenhams: Group financial performance, 2010/11-2014/15
Figure 76: Debenhams: Outlet data, 2010/11-2014/15

Retail offering

Fenwick

What we think

Shutters e-commerce site
Store investment attracting new brands
More store events
Early house beauty service

Company background

Company performance

Figure 77: Fenwick Ltd: Group financial performance, 2010/11-2015/16

Figure 78: Fenwick Ltd: Outlet data, 2010/11-2016

Retail offering

Harrods

What we think

Influential MD stepping down

New Chinese visitor visa law boost

Reaching out to affluent consumers

New Mini Superbrands concept

Company background

Company performance

Figure 79: Harrods Ltd: Group financial performance, 2010/11-2014/15

Figure 80: Harrods Ltd: Outlet data, 2010/11-2014/15

Retail offering

Harvey Nichols UK

What we think

Expanding online delivery coverage

A differentiated and compelling store proposition

Loyalty card app

Company background

Company performance

Figure 81: Harvey Nichols UK: Group financial performance, 2010/11-2014/15

Figure 82: Harvey Nichols UK: Outlet data, 2010/11-2014/15

Retail offering

House of Fraser Plc

What we think

Refurbished stores driving bricks-and-mortar like-for-like sales growth

Multichannel investment boosts online sales growth

Bricks-and-mortar overseas expansion

Profitable own brand offering

Company background

Company performance

Figure 83: House of Fraser Plc: Group financial performance, 2010/11-2014/15

Figure 84: House of Fraser Plc: Outlet data, 2010/11-2014/15

Retail offering
Department Stores - UK - April 2016

What we think
Transforming the in-store experience
UK store expansion
Risk-averse approach to overseas opportunities
E-commerce international expansion
Digital shopping experience driving sales through mobile devices
Fashion credentials
Company background

Company performance
Figure 85: John Lewis Plc (department store): Group financial performance, 2011/12-2015/16
Figure 86: John Lewis Plc (department store): UK outlet data, 2011/12-2015/16

Retail offering

Marks & Spencer

What we think
New chief executive to breathe new life into M&S’ fashion range
New beauty ambassador and revamped beauty halls
New loyalty scheme launched
Expanding click-and-collect options
Company background

Company performance
Figure 87: Marks & Spencer: Group financial performance, 2010/11-2014/15
Figure 88: Marks & Spencer: Outlet data, 2010/11-2014/15
Figure 89: Marks & Spencer: Store portfolio, September 2015

Retail offering

Selfridges Retail

What we think
37,000 sq ft Body Studio
Personalised shopping experience
Company background

Company performance
Figure 90: Selfridges Retail Ltd: Group financial performance, 2010/11-2014/15
Figure 91: Selfridges Retail Ltd: Outlet data, 2010/11-2014/15

Retail offering

Appendix – Data Sources, Abbreviations and Supporting Information
Forecast methodology
Sector benchmarks
Department stores
Mixed goods retailers
Statutory revenues versus GTV
Financial definitions
Sales per store, sales per sq m
Key Driver Analysis
Interpretation of results
  Figure 92: Overall satisfaction with last department store shopped at - key driver output, February 2016
  Figure 93: Satisfaction with department store shopped at last, February 2016

Abbreviations