

Christmas could be last chance for retailers before austere new year

By [Published by Verdict](#)

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LONDON, UK: Men will buy more than half of the nation's Christmas turkeys this year says a new report from Verdict Research, one of the Datamonitor group of companies, and business analytics company SAS. According to the report - *How Britain will Shop for Christmas 2011* - retailers who want to make the most of the coming season's opportunities are advised to look carefully at who is doing the shopping.



More than 10.5 million turkeys will be bought by UK consumers this Christmas. Turkey purchases start in earnest from mid-November while more than 5 million will be bought in the last week with 56.5% purchased by men. The research suggests that women send their partners out with lists to save time as they ready the home, wrap presents, prepare party food and organise decorations, leaving men responsible for the tree, drink, Christmas food and present shopping.

"One of the most interesting things to come out of this report is who is doing the Christmas shopping," said Maureen Hinton of Verdict. "The data clearly shows that retailers ought to be actively targeting men, for whom Christmas is one of the big shopping windows. After a tough 2011 many retailers will be relying on Christmas to make a profit before being hit hard by a tough Q1 in 2012. Consumers will cut back as they recover from Christmas spending and face increased utility bills and high unemployment. Therefore retailers must build up enough cash and margin to support them through difficult trading until the next likely boost in spending, Easter."

Spending up, volume down

The report shows that UK households will spend £86.5 billion* in the run up to Christmas, £1.2 billion more than in Q4 last year, but the volume of purchases will be down by 0.7%. Although shoppers will be counting their pennies, spend on food, clothing, footwear, health and beauty will all increase as consumers purchase their Christmas gifts.

Spend on food will increase by almost 4% (3.8%) in 2011 to £33.4 billion, outperforming overall retail growth but only because of inflation rather than sales. Clothing, footwear, health and beauty will also outperform as they are major gift categories due to their relationship to personal well-being.

However, non-food sales will be hit the hardest, shrinking by 0.1% as consumers avoid big ticket items with home related categories expected to shrink by £490 million. (See appendix for a detailed sector-by-sector breakdown.)

Online sales will fare particularly well this year due to the convenience, ease of access and ability to compare prices across different websites.

Spending online will grow to £9 billion which represents nearly 10% of total spend over the holiday period and this increase can, in part, be attributed to the increase in mobile commerce for price comparisons, ordering and checking stock availability. However, this does not account for the influence online has on overall spending with 63% of online shoppers researching online and then buying instore. The increase in online purchases this year is up against a weaker comparative due to the bad weather of 2010 halting the delivery of online purchases.

Not a time necessarily of good cheer - for UK retailers

"UK retailers face one of the most challenging Christmases ever as a combination of low consumer confidence and inflation is making shoppers question every purchase they make, even at a time when they want to celebrate.

All the growth in the market is inflation led and a repeat of last year's bad weather would be disastrous for retailers who are already on very tight margins." continued Hinton.

Cindy Etsell, retail specialist at SAS UK said, "The pressure on retailers this Christmas is unlike anything they will have experienced before. The key for maximising sales is about understanding when consumers are looking to purchase items and ensuring that sales prices are optimised accordingly.

Monitoring customer behaviour is critical for this and the information that retailers have about their customers from till receipts, credit and loyalty cards, and even wider unstructured data from sources like social networks can steer their understanding of purchasing patterns and ability to mark down prices at the optimum time to shift stock without losing significant margins."

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**Exchange rate at time of posting: £1=R12.89*

Appendix: Christmas 2011 UK retail trends by sector

Food & grocery

- Online sales will be a key channel for seasonal sales growth and innovation will be crucial in gaining market share (20.9% total sales). However, UK shoppers are wary of another year of heavy snowfall, with many consumers going online to browse before heading to stores to purchase items.
- Grocers are embroiled in heavily publicised price-focused marketing campaigns and private label ranges have gained greater credibility with shoppers wanting to trade down.

Health & beauty

- This will be one of the more robust sectors in 2011 due to relatively low selling prices and a strong focus on offering a wide range of products for gifting. In particular, perfumes are always a strong festive gift with late November/early December being the peak purchasing period.

Clothing & footwear

- Clothing & footwear is expected to fare slightly better than other sectors this Christmas as they make affordable gifts compared to other larger big ticket items. Lifestyle and premium brands are expected to perform well with the in-store

experience, brand perception and quality credentials helping customers to justify higher spend.

Electricals

- Small consumer electronics will give the sector a welcome boost but an increase of 3.5% in volume will not be enough to drive positive growth in 2011 because this is one sector that is still deflationary. Online specialists should perform well with their competitive prices and varied delivery options providing shoppers with a far more convenient mode of shopping.
- Post Christmas, market volumes will rise as consumers take advantage of sales but like-for-like comparisons are likely to be poor as many consumers bought big ticket items last year in anticipation of the VAT increase in January this year.

Books, music & video

- These products will struggle this Christmas as demand for physical music and video products continue to drop off and more consumers take to tablets, e-readers and downloading. Price competition from online suppliers and grocers will continue to squeeze margins. Digital content does not fare well as a Christmas gift, while video games will not perform well because no new hardware and consoles have been launched in have been released in the second half of 2011.

Furniture & floor coverings

- This sector will decline by 5% in Q4 2011 as most shoppers made big ticket purchases last year in anticipation of the VAT increase in January and are wary of spending in the current climate.

Homewares

- Gifting will be the key driver of growth over the Christmas period but big ticket categories will continue to suffer. Retailers will need to be aware of consumer demand for decorations peaking in mid-November (12-21 November) and optimise prices to reflect this demand.

DIY & gardening

- This is the worst hit sector with a 6.3% drop in expenditure on Q4 last year. The link to the housing market is the key factor behind its difficulties as consumers are reluctant to spend on big projects due to concerns with employment, household expenses and debt. Unless visiting for specific DIY purposes such as Christmas trees, consumers are unlikely to frequent these shops with the aim of purchasing Christmas gifts. As a result, it is more crucial for this sector than any other to closely monitor customer spending patterns and maximise sales opportunities during peak periods.