

The Retail Think Tank



October 2024 release on UK retail health

The Retail Think Tank (RTT) is a panel of 8 experts across economics, banking, property, media, investors, advisers, data and insights with over 150 years of cumulative experience in the retail sector.

Q3 look back

The RTT reflected that in Q3 robust summer food sales and the boost to clothing and footwear sales from the wet weather in September, alongside “back to school” demand, had lifted the health of the retail sector, a little.

Despite somewhat anaemic economic growth the RTT observed that **retail overall had done better than public sentiment and media narrative might suggest**. July and August spending was supported by major sports events and September being one of the rainiest on record led to Autumn ranges being activated early. Footfall in September increased even on the High Street, and over 7% in retail parks according to BRC Footfall data^[1].

The Asda Income Tracker showed an average year on year increase of 12% in August^[2]. **KPMG-Snoop Spending analytics backed this up with total spend up +5% and discretionary spend up +13%**^[3]. Entertainment & Leisure was the biggest beneficiary, with **Experiences, Gambling, Fitness and Media Subscriptions all seeing more than double-digit boosts**.

Sombre government rhetoric however saw the GFK Consumer Confidence fall by 7 points by -20 in September^[4], and food sales remain fairly flat in terms of volumes. The RTT believes triggers are needed to get people spending, and September BRC-KPMG sales data showed **back-to-school boosted children’s clothing and computing categories by 9% and 11%** respectively^[5].

From a margin perspective **property costs would have been as expected for most retailers**, likewise business rates (which increased, but as expected). On the positive side energy prices came down and **more available manufacturing capacity** will have helped retailers. Offset by **continued high freight costs**.

Historically retailers have struggled with over inventory and needed deep discounting and long sales periods; but **in 2024 stock levels have been more tightly managed**, potentially missing sales but importantly protecting margin through Q3.

Q4 look ahead

Despite consumer confidence remaining volatile, and the potential impact on household spending from the Budget, the RTT is predicting the strongest golden quarter for retail health since the pandemic.

With some expected economic acceleration in Q4, **the RTT is predicting the best Christmas since Covid for UK retailers**. A further interest rate cut is expected in November, and the savings ratio is at its highest point in the last 20 years (aside from Covid).

Food retailers will be pleased to see that all except the lowest quartile in the Asda Disposable Income Tracker are now in positive territory. Premium ranges can be effective at targeting the highest quintile, who saw increase of 8.3% on last year, will present a margin opportunity^[6].

The RTT hopes for a budget that does not ‘scare the horses’ and dampen consumer spending. Recent data from Which shows pensioners (age 65+)^[7] are the most pessimistic about household finances and the KPMG Pulse shows they feel less financially secure compared to all other age groups, with 1-in-3 cutting discretionary spend in 2024^[8]; this generation hold significant wealth so getting them to spend is critical for retailers, whether on themselves or on children and grandchildren.

Consumers are expected to get spending with the right triggers, such as Black Friday. One RTT member cited research by Global Data shows Black Friday intentions are the highest yet at 40.1%, leading to predictions of 53-62% penetration. Whilst Electricals & Technology remains the category most shoppers intend to look for, more than half of us.

Clothing and Footwear retailers will feel hopeful about the 43% intending to come to them for Black Friday (up from 37% last year)^[9].

(continued overleaf)

Q4 look ahead (continued)

Retailers use promotions to drive customer interest, whether in particular items or to drive more footfall – both in store and online. But excess stocks also leads to a need for early sales activity, with deep discounting. This year however **the RTT sees retailer stock levels in a much better place, meaning less panic discounts will be needed.** According to Centric Market Intelligence the average online discount continues to fall, down to 36% this year versus 42% in 2019, increasing the margin opportunity^[10].

For the Golden Quarter this year the RTT **expects social commerce to be even more relevant than ever;** with the likes of TikTok Shop driving impulse purchases, and teens persuading their slightly less constrained parents to fund viral trends. The rule of Christmas is that early shopping means more shopping, so tapping into early trends is important for brands and retailers.

And so **the winners this quarter are those who continue to update for trends quickly and early** – whether that is an influencer’s product or changing weather. Those with great stores, who manage to keep them looking attractive through the intensity of this season, will tap into the little bit of extra cash consumers have. And finally the RTT watches those retailers leveraging international expansion to find growth with interest, and shoppers in other markets also start to loosen the purse strings.

The RTT has concerns about some of the budget retailers, particular those **trying to be too many things for a shopper,** as the cost of living pressure comes off and simply being cheap is not enough. Add to that those with bad locations and those without an effective returns strategy, and no doubt this quarter will not be golden for all UK retailers.

Into 2025 and beyond

The RTT meets again in December, with 2025 predictions to come, but for now here’s what topics are top of mind for the group:

- The 2024 rate cut triggered only a small amount of house movement but with interest rate cuts expected to reach 3.5% by the end of 2025^[11] **banks are already looking to get ahead with competitive mortgage offers;** such movement would be a welcome boost for non-food retail, particularly for larger items like furniture.
- Conflict in the Middle East with the resulting **high freight costs and longer shipping times** is expected to continue for the duration of 2025; making stock predictions by retailers even more critical.
- It’s an old adage to blame the weather but **consumers seem to be more weather sensitive;** potentially driven by social media where influencers have backgrounds reflecting the weather and streamers might be inclined to set up an autumnal scene if their mood feels autumnal from the outside. Plus with digital shopping **consumers react ever more quickly,** we can instantly buy the item rather than the weather turning again by the weekend when we make it to the shops.
- The **October budget will impact operational costs into 2025;** with 71 retail chief executives writing to Rachel Reeves with a plea on business rates. With wages expected to increase, and the new labour laws increasing the administration as well as costs, retailers will have to continue to drive cost out and simplicity wherever possible, with automation critical to their strategies.
- Finally, the RTT looks forward to **seeing how many retailers answer who they really are;** with some of the winners showing that thinking of themselves as content creators that sell products, or focusing on slick operations that can take any loved-consumer brand to success, is a winning strategy.

The Retail Think Tank met on Wednesday 9 October 2024.

Retail Think Tank Experts

- Natalie Berg – Retail Analyst, NBK Retail
- Nick Bubb – Retail Consultant, Bubb Retail Consultancy
- Charles Burton - Director, Oxford Economics
- Jonathan De Mello – Founder and CEO, JDM Retail
- Linda Ellett – Head of Consumer, Retail and Leisure, KPMG.
- Maureen Hinton – Retail Consultant.
- Miya Knights – Retail Consultant, Author, Publisher of Retail Technology.
- James Sawley – Head of Retail and Leisure, HSBC
- Mike Watkins – Head of Retailer and Business, NIQ UK

References:

- [1] – BRC Sensormatic Footfall Monitor - September 2024
- [2] – Asda Income Tracker- September 2024
- [3] – KPMG Snoop Spending Data Analytics Q3 2024; *Spending data from >100k Snoop customers Jul-Sep 2024 vs PY*
- [4] – GfK Press Release – 20/09/24
- [5] – KPMG X BRC Retail Sector – September 2024
- [6] – Asda Income Tracker – August 2024
- [7] – [Pensioner pessimism drags on consumer confidence \(cityam.com\)](#)
- [8] – KPMG Consumer Pulse from September 2024
- [9] – [Global Data UK – Black Friday Intentions](#)
- [10] – [Sherwood News -24/9/24](#)
- [11] – [KPMG UK Economy Forecast September 2024](#)



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