

High price inflation drives highest retail growth since recession began

LONDON, UK: UK retail is set to grow by 1.8% in 2013 with total retail spend hitting £300.7 billion - though this is nowhere near the pre-recession growth levels it is the highest rate of growth since the recession began. However this is largely down to rising prices, according to a report from SAS, the leader in business analytics software and services, and Verdict called How the UK will shop in 2013.



- DIY & gardening set to increase the most at 3.3% against weak comparatives
- Music & video spending will be hit hardest, falling 6.3% as cheaper pricing online and streaming takes over
- Online will account for nearly 12% of total retail spend
- Food spend to grow by 3.1%
- Mature customer spending power on the rise as 55+ shoppers set to be fastest growing age range for online shopping

Food, which accounts for 45% of retail spending, remains the main driver behind retail growth at 3.1% but this is mostly due to price inflation, meaning UK shoppers will be spending more to buy essentially the same amount. This is being driven by increases in grain prices and rising fuel costs continuing to put pressure on supply chain and logistics costs.

DIY, gardening set to lead the pack

DIY and gardening are set to be retail's strongest performing sector next year, with the more buoyant gardening sector making a comeback after the disastrous weather of 2012 and shoppers conducting small decorating projects as they consider putting their house on the market. Non-food is also returning to growth after a two-year hiatus with a forecast growth of 0.8% in 2013.

Music and video spending, on the other hand, is set to be the biggest loser next year, shrinking by 6.3%. Online is set to account for 80.1% of all music and video sales in 2013 as more people opt for cheaper prices online and streaming grows in popularity. The prevalence of tablet devices and improvements to mobile data allowances mean subscribers now access more media on the move.

Amazon to benefit as bricks-and-mortar retailer go under

Amazon will benefit from the demise of bricks-and-mortar retailers, and the casualty of Comet in late 2012, as more people shop online - set to account for 11.7% of total retail spend in 2013. This means that specialist stores, in particular music, video and book stores, will suffer as their reliance on a single product will hit their ability to deliver growth in volumes.

Another trend is a shift towards the more mature market as 16-to-24-year-olds continue to suffer economic woes, while more over-65s are working longer. The report reveals that the 55+ demographic will be the fastest growing among online shoppers. Retailers will need to re-think how they approach technology and customer service to cater for this growing market.

Maureen Hinton, director of Research & Analysis at Verdict Research, comments, "UK retailing is set for another year of tough trading as the hoped for economic recovery is put back further and austerity continues to reign. Though we are set to see the highest growth since the recession began with some surprise winners such as the DIY and gardening sector and, of course, online, in general, consumers will be paying more in 2013 for the same items and, as a result, retailers will continue to look to international markets such as Europe, India and the USA for real growth opportunities."

You need to consider a 'myriad of external influencing factors'

Ruth Jackson, retail consultant, SAS UK & Ireland, continues, "Retailers need to consider a myriad of external influencing factors happening in the market when planning their strategies for the year ahead. Shoppers want a consistent customer experience and so retailers must adopt an omni channel approach to understand their behaviour, and successfully deploy strategies across all channels. Interestingly, the findings show that the role of a retailer is evolving with more demand for home delivery and click-and-collect services. Customers now expect retailers to go the extra mile, literally, to meet their demands, meaning they need to extend supply chain capabilities and re-consider how they run their end-to-end operations.

"Many retailers are using analytical technology to report on historic sales and previous trends. However, in this ever changing environment, a more pro-active approach is needed to understand what is likely to happen next. Taking a more forward-looking approach to predict shopping trends and understand the impact of decisions, will help many retailers to weather the storm ahead more effectively. It's vital that they have the solutions in place to understand and predict the increasingly complex and changing nature of customer behaviour, so as to make the best real-time decisions about products, services and how to communicate with their customers."

To download the findings from the report please visit [How the UK will shop in 2013](#).

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