TALKING SHOPS Andrew Jones

Christmas was a surprise success story

Yet again it was the demise of high street retailers that dominated the post-Christmas headlines, as Jessops, HMV and Blockbuster all entered administration.

By any measure, these are failures with a combined portfolio of 940 stores and almost 10,000 employees. However, I am struggling to find too many people who were surprised when they read the headlines. These were not recessionary failures, but the failure of companies that were too slow or incapable of changing their business models to adapt to changing shifts in consumer shopping. They are not the first and are unlikely to be the last – although the list may be getting shorter.

These all represented structural failures, which I suspect will be evidenced over the next few weeks, as "phoenix" businesses rise from the administration ashes. HMV will most likely emerge with a much slimmed-down store portfolio supported by a very strong and trusted internet business.

Jessops will, according to some early reports, evolve into a concessionary business operating in other stores with a strong online trade capitalising on a very trusted brand.

The outlook for Blockbuster, however, is less optimistic against a backdrop of increasing online competition from Netflix, Apple TV and Lovefilm, although we are already being told that convenience food groups and discounters are circling its store portfolio.

For many, however, these failures disappointingly disguised what was in fact a pretty good Christmas … not a champagne one, but certainly worthy of a good house white.

Results across the sector were polarised more than ever. Those with the right product, service and distribution channels produced some very good numbers, largely irrespective of their subsector. This Christmas, the performances were much more "individual" and much less sectoral, albeit all the department store operators enjoyed a much happier period. John Lewis always sets a very high bar, but Debenhams and House of Fraser each had their best Christmas on record.

In food, Waitrose and M&S Simply Food came out as the premium winners, and Iceland, Lidl and Aldi grew strongly at the value end. Aldi reported its most successful Christmas to date in the UK. Its total sales were up by 30.1%, driven by a strong fresh produce offer and broadened product range. Lidl grew sales by 10.8% and Iceland by 9.7%, hitting a 12-year record. Polarised trading results stood out, and convenience delivered the strongest growth both at the premium and discount ends, while big supermarkets, at the other end of the spectrum, produced relatively lacklustre performances.

Despite being written off many times, the electricals sector was surprisingly one of the brightest spots: both Dixons and Argos showed some very encouraging sales gains. Both names arguably started to benefit from the demise of Comet at the year-end, and further impact is expected in 2013, but both have also invested heavily in multi-channel strategies that are beginning to bear fruit. Dixons posted strong multi-channel like-for-like sales growth of 7% over Christmas, and Home Retail Group has committed to making Argos digitally led rather than catalogue led. Already with a strong multi-channel offering, Argos is capitalising on being the second most-visited online retailer in the UK – 42% of its sales originate online. Its strong store presence has also meant that "check and reserve" makes up almost three-quarters of its online sales. The recent administrations of HMV and Jessops will eliminate further competition from the market.

Fashion forward

The fashion sector had one of its strongest showings. Only JD's fashion brand and M&S's general merchandise were in negative territory. Fat Face, Hobbs, Next and White Stuff each produced stellar performances on the back of very strong offerings. Interestingly, Fat Face revealed that 40% of its customers chose its "deliver to store" service, and Next showed that 59% of returns from online purchases are taken back to one of their stores, providing proof, if needed, that physical shops are key to providing the most efficient strategy to the consumer.

Although analysing the figures is not straightforward, given the full shopping weekend just before Christmas, this year felt more positive, and more retailers are "rightsizing" their store models in line with today's consumer shopping patterns. This should continue as further retail leases come up for renewal and retailers embrace new mobile shopping patterns that already represent 14% of online sales.

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