00:00:00 | Kriti Gupta

It is Black Friday. It's the unofficial start of the holiday shopping season, and we've got the perfect guest to set us up for it. To talk about not only the state of the shops and the discounts, I want to know where the sales are, but also just kind of how this affects the global consumer. Erin Brookes, European Retail and Consumer lead at Alvarez & Marsal, joins us around the table.

What's on your shopping list this morning?

00:00:19 | Erin Brookes

Well, I think it's a great time to be buying electricals. To Guy's point, there have been really deep discounts coming.

00:00:25 | Kriti Gupta

How is Guy better shopping than I am?

00:00:28 | Erin Brookes

But I think there's also some really heavy discounts out in the beauty category this year, which has been quite a recent development in the years. Usually beauty brands have been able to hold pricing, but at the moment, given that certain retailers are leading with heavy discounts, you can see discounts across the patch in that category.

00:00:44 | Guy Johnson

Why are these discounts there? So why are those two sectors particularly affected?

00:00:47 | Erin Brookes

Well, there's two pieces. Firstly, retailers plan to sell through an awful lot of stock this time of year, so they buy in with the express intention to sell through. In technology, we've also had a new iPhone release, which will increase interest in technology products.

And then the beauty sector, what's interesting is that it's so competitive at the moment. You've got Boots, you have Sephora, you have, in this market, John Lewis, all competing for that holiday spend. And what we've seen recently in terms of search interest across the category is that perfume is very, very strong.

So, consumers really searching for the best perfume deals, which means they're planning to gift to that category over the holiday season.

00:01:27 | Kriti Gupta

Did you hear that? Now you know what to get me for Christmas.

00:01:30 | Guy Johnson

You're not here for Christmas.

00:01:31 | Kriti Gupta

TBD. I'll visit if you get me a gift.

Talk to us a little bit about, though, is that a reaction to some of the kind of almost inventory hoarding that we saw earlier this year? There's a tariff component to this.

I think if we had had this conversation April 2nd, we would have said by holiday season there would be empty shelves, there would be higher prices, and people would maybe have a tougher Christmas.

I'm not getting that message.

00:01:58 | Erin Brookes

No, what's really interesting is that the profile of kind of retail sales follows a really similar year-on-year profile, highly seasonal business with Christmas being the peak of trade. What we've seen over the past few years is that those sales build and between Q1 and Q4 with an uplift in Q4 of about 15%.

This year, we've had a negative trend between Q1 and Q3, meaning that if we get the same profile and we lift 15% from our current negative base, there's about 6 to 10 billion of retail sales at risk this holiday season.

So Kriti, to your point, I think we've got a lot of inventory that needs to be sold through. We've had unseasonably warm weather, which means there's quite a bit of apparel that retailers in the UK need to sell through as well, and that presents us as discounts and great deals for shoppers.

00:02:48 | Guy Johnson

Shopping is not my natural kind of place.

00:02:51 | Kriti Gupta

I never would have guessed.

00:02:52 | Guy Johnson

Shocker, shocker. I am the Grinch when it comes to shopping.

But how is the UK consumer? I just hearda budget yesterday that is going to raise taxes. We've just had, we've got a story across Europe that is fairly dismal, to be honest. Yes, inflation may be more stable on the continent than it is here, but what is the consumer picture looking like right now?

00:03:09 | Erin Brookes

So, consumer confidence usually month-to-month increases at this time of year. So if we look at between October and November, it's the first time that it's decreased in this month between October and November in the UK since 2021.

00:03:22 | Guy Johnson

Wow.

00:03:23 | Erin Brookes

And we believe that that's related to lack of confidence, lack of consumer confidence, lack of confidence in personal finances related to the budget. The budget timing this year for consumers and retailers has been really tough because it's meant they've been unsure about the picture going forward.

00:03:39 | Guy Johnson

So what happens, do we get, now we've got the budget, do we get more clarity? Or is it still, is your sense that actually this isn't going to change?

00:03:46 | Erin Brookes

I think there's a few pieces to that. In terms of the UK consumer, minimum wage rise will be welcome news to some segments of the population that are dependent on that and will feel a little bit more cash in their pockets. That's quite positive.

However, a high degree of workers will now be dragged into higher income tax brackets due to the threshold freeze. So overall, I think it's still, there's not really a lot of reason to be super hopeful.

00:04:14 | Guy Johnson

I'm sure Kriti sees the world through K shapes because, anyway.

00:04:19 | Kriti Gupta

Finish that sentence, Guy.

00:04:21 | Guy Johnson

Is the UK K-shaped? How K-shaped? We talk about the kind of K-shaped consumer in the United States. The upper echelons are spending all of the money, the lower quartiles are not.

How K-shaped are we here? Is it different or is it more evenly spread in terms of what we see, in terms of the distribution?

00:04:37 | Erin Brookes

So, I think historically it has been a little bit K-shaped, Guy. However, this budget is going to really flatten the more wealthy and more affluent from spending more, particularly people that are depending on retirement income, that are seeing kind of persistent inflation, that are seeing, Rachel Reeves mentioned she wanted to address the cost of living crisis. I'm not sure we have solved that in the last few days.

So, I think that puts pressure on the top end, certainly.

00:05:05 | Kriti Gupta

Does that increase the inclination to save then? Does that just mean if you have a little extra cash in your pocket and you don't spend it and it's not paid to the taxes that you may or may not have to now pay, does that just go, is that cash under the mattress?

00:05:20 | Erin Brookes

I think, you know, consistently, well, what would be great is if we could start to achieve a bit of relief rather on interest rates. I think that would create some liquidity in the market. As long as interest rates remain persistent, people will be trying to save a little bit, but also pay down any debt that they have.

Interestingly, when we've looked at search terms in terms of consumers looking for things around Black Friday, payment options has been extremely high this year, has been really spiking.

So consumers looking for alternative ways to pay is also really present at the moment.

00:05:52 | Kriti Gupta

Like a buy now, pay later.

00:05:54 | Guy Johnson

We had a buy now, pay later budget yesterday, so why not have a buy now, pay later sort of economy?

00:05:59 | Kriti Gupta

Dynamic. Yeah, absolutely.

Erin, I'll end on this: There's been a, we kind of started the conversation with what pricing and what sales and that kind of piece looks like. And you mentioned that a lot of retailers are trying to get through a lot of their inventory in Europe there's been a conversation here that if a lot of the Chinese, Vietnamese, Malaysian, etc. goods don't make it across the Pacific to the States, they get rerouted off of tariffs to Europe and that ultimately leads to overcapacity in Europe and feeds into deflation.

What's the timeline of that scenario look like? Are we talking about 2026 or is that something that's a little bit more... a little bit more near term?

00:06:33 | Erin Brookes

I would have thought it's a 2026 impact. Retailers will have really been planning for any tariff related impact and, you know, talking to their supply base about ensuring that overcapacity doesn't adversely affect them. But really, we need to see that play through.

00:06:49 | Guy Johnson

Great to see you. Thank you for stopping by. I'm sure you'll be doing some shopping later. Erin Brookes, or at least figuring out what everybody else is shopping for.

Erin Brookes, European retail and consumer lead, Alvarez and Marsal.