January 2020

Newman & Partners

Licensed Insolvency Practitioners

RECOVERY & REVIVAL BULLETIN

Welcome to the latest issue of our Recovery and Revival Bulletin, designed to keep you up-to-date on insolvency matters that may be of interest to you. If you have any feedback on this bulletin, or would like to know more about our services or how we can help you, please contact us on **020 8357 2727** or at **insolvency@newmanandpartners.co.uk**

Last decade sees a historic loss of big retail brands

As we begin a new decade, it is interesting to take a look back at the state of the UK's retail industry and take note of the once recognisable names who are no longer present on the high street. In recent years, the UK's retail industry has struggled under the pressure of growing costs, greater competition and changing consumer attitudes, which have led to many brands going into administration and many more being forced to restructure.

The decline in the high street was most noticeable last year, with the British Retail Consortium (BRC) confirming that 2019 was the worst year for the sector in 25 years, as total sales fell by 0.1 per cent – the first decline since 1995. As we enter a new era, we have decided to take a look back at some of the big-name brands that have failed in the last decade.

Maplins

Prior to its collapse Maplins had been one of the UK's biggest electronics retailers and had 200 stores and 2,300 staff. However, it went into administration in February 2018 after it failed to secure a deal. The brand blamed a slump in the pound after Brexit and the resultant fall in consumer demand for its failure.

Toys R Us

Just two months after the collapse of Maplins, US toy giant Toys R Us announced it would be shutting all of its UK and US stores having filed for bankruptcy protection in September 2017. Many commentators said that the brand had been hit by higher out of town rent costs and a growth in online toy sales, where Toys R Us had failed to innovate compared to its competitors.

Borders

In June 2009 US book store Borders closed all of its UK stores, despite being unique in offering a café and a comfortable browsing experience for books, music and movies. At the time, the firm blamed a fall in sales due to greater competition from supermarkets, online sales and digital books. After the failure of its UK branches, the US company filed for bankruptcy in its home nation just two years later. Many commentators have said the rise of Amazon may have been to blame for its eventual demise.

Blockbuster

In a digital age, the idea of renting a video or DVD from a physical store and then having to return it seems so bizarre and yet Blockbuster had amassed an empire of 9,000 stores worldwide. However, it was ironically the harbinger of its own death by prompting the founder of Netflix to create a rival service in light of late fines he had incurred. Netflix did away with stores and much of the costs Blockbuster faced and eventually prompted a revolution in streaming that made Blockbusters obsolete.

Poundworld

With more than 335 stores and 5,100 employees, Poundworld was a domineering force in the lower end of the retail market. It had been founded in 1974 and was popular with many customers. However, its success was soon emulated by high street rivals, such as Poundland and Poundstretcher.

This reduced Poundworld's market share and an eventual fall in the value of the pound after the Brexit referendum forced the price of imported goods up. As a result, the brand shut its doors in August 2018.

Phones4U

In September 2014 Phones4U shut all of its 700 outlets across the UK after it lost important deals with major mobile networks. As an independent seller, the company was reliant on its arrangements with operators and so when EE and Vodafone both pulled out of negotiations to agree fresh contracts the firm, which had more than £200 million in debt at the time, collapsed.

It is interesting to look back on the last decade and consider the reasons for the failures of these businesses. These examples are just a small sample of the firms that have closed their doors since 2010, but some common themes run between them. If you have clients in retail that are facing similar issues then it is important that you speak to our team and find out how we can help them.

Industrial recession across Europe hits UK factories

The latest Purchasing Managers' Index (PMI) from IHS Markit has revealed that factory output fell in December 2019 at the fastest rate since 2012 due to a general slowdown in the global economy and recession in certain parts of Europe.

The PMI fell to 45.6 from 49.1 in November, which suggests a considerable contraction within the sector. The broader headline PMI, that takes into consideration output, employment and orders also fell to 47.5 from 48.9.

Government data reflects the PMI findings as it showed that British economic growth slowed to an annual 1.1 per cent in the third quarter of 2019, while industrial output dropped by 1.3 per cent year-on-year. However, it is important to point out that previous PMIs have overestimated the rate of economic slowdown, in part, because they do not consider the public sector where spending is increasing.

Rob Dobson, an economist at survey compiler IHS Markit, said: "With demand weak and confidence remaining subdued, input purchasing was pared back sharply and jobs were cut for the ninth successive month."

The research was conducted during the recent election and won't have taken into consideration the majority gained by the Conservative Government and the certainty that may be delivered from the UK's confirmed departure from the EU. Brexit uncertainty has reduced investment in the UK throughout 2019, particularly due to the risk of a no-deal Brexit, which is now far less likely.

The Government now has just 11 months to agree new trade arrangements with the EU in order to conclude Brexit by the end of the year. It is expected that the UK economy could see improvements in growth during this period and the pound has already rebounded on the election news giving firms greater buying power.

Despite the stability provided by the General Election, the next 12 months are likely to continue to be challenging. If your clients are struggling during this period of uncertainty then they may benefit from our advice. To find out how we can help, please contact us.

SMEs now wait 23 days for late payments, a new study finds

According to the latest data, UK SMEs now have to wait up to 23 days on average for late payments to be made. MarketFinance, a peer-to-peer invoice finance platform, has analysed late payment data between 2013 and 2019 from 100,205 invoices raised by UK SMEs to give a detailed overview of the late payments pressures SMEs face.

It found that the overall number of unpaid invoices for small and medium-sized businesses in the UK has fallen in the last year to just 39 per cent of invoices sent, down from 43 per cent in 2018.

However, the length that many have had to wait has almost doubled from 12 days last year, to 23 days in 2019. The data shows that US companies are among the worst late payers for UK small businesses, taking up to 51 days to settle each invoice.

Over the longer term, the analysis found that larger debtors insisted on longer payment terms (49 days) than smaller debtors (37 days) and that when invoices were paid late, these larger debtors also settled much later (94 days) compared to smaller debtors (42 days). SMEs within the professional and legal service sectors were the worst affected by late payments last year, with 70 per cent of their invoices being paid late, up from just 30 per cent in the previous year.

Manufacturers, retailers and creative industries businesses were also severely affected by late payments during the last 12 months. In comparison, the utilities and energy sectors saw a reduction in late payments during the last 12 months; falling by almost half. Bilal Mahmood, MarketFinance's External Relations Director said: "Late payment practices harm business cash flow, hampers investment and, in extreme cases, can risk business solvency."

If your clients are struggling with late payments or are experiencing negative cashflow issues then they must seek advice at the earliest opportunity. By resolving problems quickly, it may be possible to prevent insolvency in future. To find out how our team can help, please contact us.

Newman & Partners Insolvency
Lynwood House
373/375 Station Road
Harrow
Middlesex HA1 2AW

T: 020 8357 2727
F: 020 8357 2027

E: insolvency@newmanandpartners.co.uk
W: www.newmanandpartners.co.uk

Newman & Partners
Licensed Insolvency Practitioners