INDUSTRY INSIGHTS in Retail

INDUSTRY INSIGHTS in RETAIL

1 MARKET DEFINITION

1.1 Scope of the Market

The retail sector includes any businesses or individuals involved with selling products directly to consumers. The sector includes shops, department stores, supermarkets, market stalls, door-to-door salespeople and internet retailers.
(House of Commons Library, 2018)

Key Stats & Facts for Retail (Retail Economics, 2019):

1	Total Value of UK retail sales in 2019	£394 Billion
2	People employed in UK retail in 2019	2.9 million
3	Proportion of consumer spending that goes through retail	1/3
4	Proportion of retail sales made online in 2019	19%
5	Growth in UK retails in 2019	3.4%
6	Total number of VAT-registered retailers in the UK in 2019	208,760
7	Total number of retail outlets in the UK in 2019	306,655
8	Amount retail generated of total GDP (GVA)	5%
9	Average annual growth of online retail sales in 2019	10%
10	Online sales have risen three fold in the last 10 years	324%

Image source

The multi-sectoral activities within the industry contribute to its development depending on its market share, which is depicted through the distribution of retail industry sales across the industry spectrum. A clear image concerning this topic is provided by the statistic released by
(Statista, 2020).

The statistic presents the share of retail industry sales in Great Britain in 2019 per sub-sector:

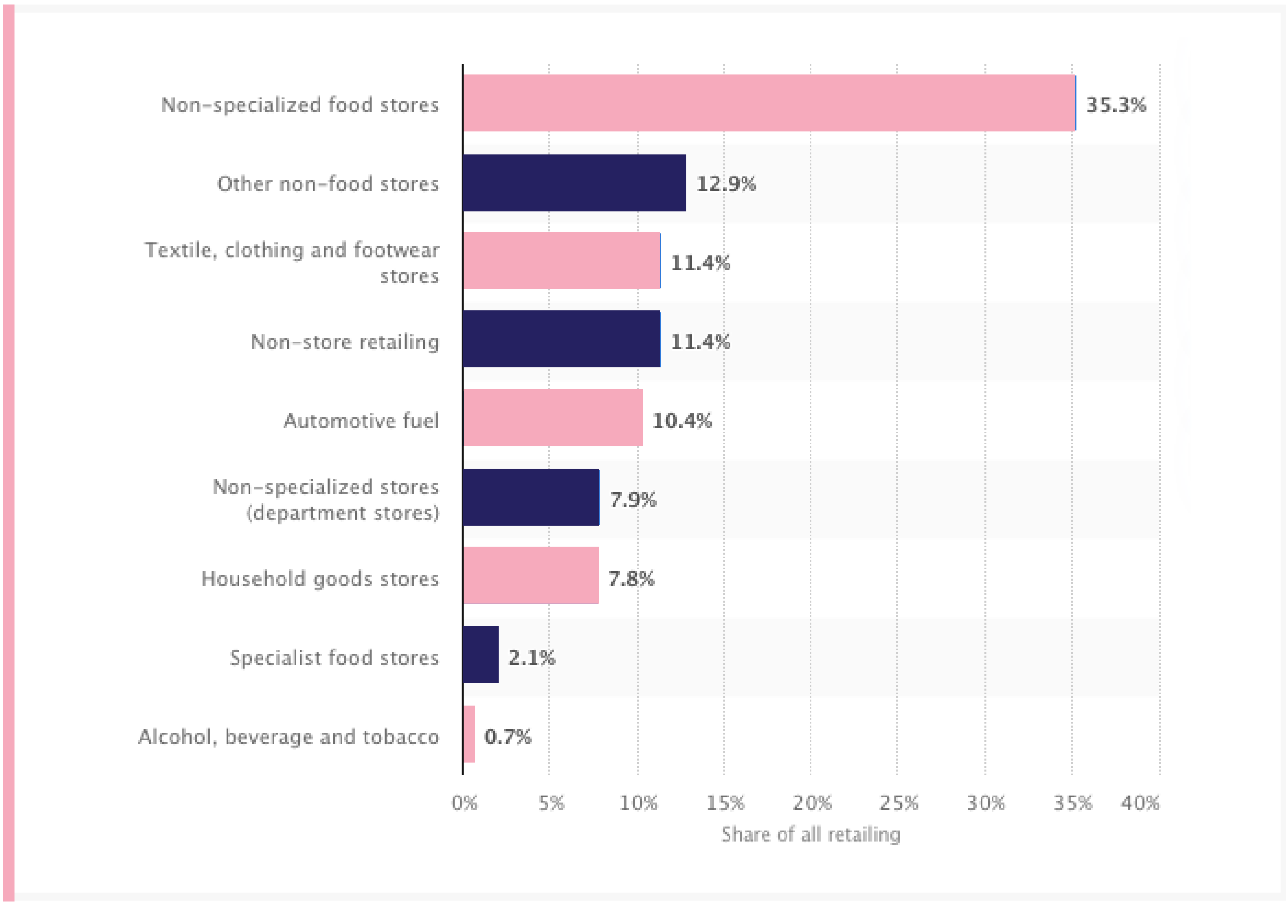

Image Source

1.2 Major Players

Since diversity within the retail industry is evident, the Major Players classification should consider the fundamental characteristics per sub-sector to give more detailed insights.

1.2.1 Food & Grocery Retail

Supermarkets

Industry Definition

Supermarkets sell a range of groceries and food, including fruit, vegetables, bread, canned goods, toiletries, dairy goods, alcohol, cleaning products and cigarettes. Off licences, greengrocers and non-affiliated independent convenience stores are not included in this industry.
(Ibis World, 2020)

Key Facts:

Market Size:	Number of Businesses:	Industry Employment:	Average industry growth 2015–2020
£182bn	18,215	1,109,893	0.1%

(Ibis World, 2020)

Biggest Companies:

- Tesco plc
- Sainsbury's Supermarkets Ltd
- Asda Stores Limited
- Wm Morrison Supermarkets plc
- Aldi Stores Ltd
- Lidl Great Britain Ltd
- Co-operative Group Ltd
- Waitrose Ltd
- Marks and Spencer plc
- Iceland Foods Ltd
- Costco Wholesale UK Ltd

(Ibis World, 2020)

Organic Food Retailing

Industry Definition

Industry participants concentrate on selling organic food and beverages through both bricks-and-mortar stores and online portals. They are specialist natural and organic food retailers. Conventional supermarket chains and convenience stores that retail organic goods are excluded from the industry.
(Ibis World, 2020)

Key Facts:

Market Size:	Number of Businesses:	Industry Employment:	Average industry growth 2015–2020
£718bn	2,040	4,820	6.0%

(Ibis World, 2020)

Biggest Companies:

- Fresh & Wild Ltd
- Abel & Cole Ltd
- Riverford Organic Farmers Ltd
- Planet Organic Ltd
- As Nature Intended Ltd

(Ibis World, 2020)

Meat & Meat Product Retailing

Industry Definition

The industry includes operators that specialise in the sale of meat such as poultry, beef, lamb and pork. Value-added products and services such as cookbooks and butchery classes are also included in the industry. The industry excludes products sold in supermarkets.
(Ibis World, 2020)

Key Facts:

Market Size:	Number of Businesses:	Industry Employment:	Average industry growth 2015–2020
£3bn	6,272	32,233	0.8%

(Ibis World, 2020)

Biggest Companies:

This industry has no major players with a market share of greater than 5%

- Ginger Pig Ltd
- JC Rook & Sons Ltd
- Crawshaw Butchers Ltd

(Ibis World, 2020)

Bakery Product Retailing

Industry Definition

This industry includes the retail sale of bread and bakery products, including rolls, baps and cakes. It also consists of the sale of sugar confectionery such as chocolates and sweets in specialised stores. In most instances, bakery product retailers also manufacture their products on the premises. The industry does not include bakery products sold in supermarkets.
(Ibis World, 2019)

Key Facts:

Market Size: **£2bn**

Number of Businesses: **7,605**

Industry Employment: **59,526**

Average industry growth 2014–2019 **0.5%**

(Ibis World, 2019)

Biggest Companies:

- Greggs plc
- Krispy Kreme UK Ltd
- Patisserie Valerie Retail Ltd
- Thorntons Ltd
- Sayers the Bakers Ltd

(Ibis World, 2019)

1.2.2 Tobacco and Alcohol Beverages Retailing

Online Alcohol Retailing

Industry Definition

This industry covers companies that sell packaged beer, wine and spirits exclusively over the internet. It excludes firms that also have a bricks-and-mortar presence.
(Ibis World, 2019)

Key Facts:

Market Size:	Number of Businesses:	Industry Employment:	Average industry growth 2014–2019
£640bn	188	2,154	13.2%

(Ibis World, 2019)

Biggest Companies:

- The International Exhibition Co-operative Wine Society Ltd
- Naked Wines Limited
- Ocado Retail Ltd
- Virgin Wine Online Limited
- Amazon UK Services Ltd

(Ibis World, 2019)

Tobacco Retailing

Industry Definition

This industry includes the retail sale of tobacco and tobacco products in specialised stores. It also includes the sale of smoking accessories such as pipes, lighters, cigarette papers, cigar cases and other related smoking paraphernalia.
(Ibis World, 2020)

Key Facts:

Market Size:
£458bn

Number of Businesses:
1,882

Industry Employment:
4,390

Average industry growth 2015–2020
-6.7%

(Ibis World, 2020)

Biggest Companies:
This industry has no major players with a market share of greater than 5%

- JJ Fox (St James's) Ltd
- Exiga (UK) Ltd
- Smokers Corner Ltd

(Ibis World, 2020)

1.2.3 Clothing & Footwear Retail

Clothing Retailing

Industry Definition

Clothing retailers source clothing from wholesalers or manufacturers and sell them to consumers. Most industry participants sell goods from one or more retail stores and often operate an online portal. The industry does not include enterprises that only operate online. Although accessory sales are covered, shoe sales are not.
(Ibis World, 2020)

Key Facts:

Market Size:
£43bn

Number of Businesses:
24,054

Industry Employment:
398,291

Average industry growth 2015–2020
0.7%

(Ibis World, 2020)

Biggest Companies:

- Primark Stores Limited
- Next Group plc
- Arcadia Group Ltd
- H&M Hennes & Mauritz UK Ltd
- New Look Retailers Ltd
- Industria de Diseno Textil SA
- River Island Clothing Co Ltd

(Ibis World, 2020)

Footwear Retailing

Industry Definition

Industry participants concentrate on selling footwear through both bricks-and-mortar stores and online portals. Retailers that solely operate online are excluded from the industry. The sale of specialised sports footwear, such as ski boots, is also not included in the industry.
(Ibis World, 2019)

Key Facts:

Market Size: **£5bn**

Number of Businesses: **4,563**

Industry Employment: **49,622**

Average industry growth 2014–2019 **0.8%**

(Ibis World, 2019)

Biggest Companies:

- C&J Clark Limited
- Schuh Limited
- Office Holdings Limited
- Shoe Zone plc
- Kurt Geiger Ltd
- Dune Group Ltd

(Ibis World, 2019)

1.2.4 Household Goods Retail

Electrical Household Appliance Retailing
Industry Definition
Stores in this industry sell household electrical appliances classified as white goods. Products include washing machines, tumble dryers, refrigerators, freezers and electric cookers. Small domestic appliances such as microwaves, vacuum cleaners, kettles, toasters and irons are also included. Stores that specialise in selling audio-visual, computing and photographic equipment are not covered. Online-only stores with no physical outlets are also excluded.
(Ibis World, 2020)

Key Facts:

Market Size:	Number of Businesses:	Industry Employment:	Average industry growth 2015–2020
£7bn	4,093	37,331	2.0%

(Ibis World, 2020)

Biggest Companies:

- Dixons Carphone plc
- Argos Ltd
- Nespresso UK Ltd
- Wilko Retail Ltd
- Caversham Finance Limited
- Maplin Electronics Ltd

(Ibis World, 2020)

Furniture, Lighting & Homeware Retailing

Industry Definition

Operators in the industry sell household, outdoor and office furniture and other household goods such as light fixtures, utensils, cutlery, crockery, glassware and non-electrical household appliances. Online-only retailers are excluded from the industry.
(Ibis World, 2020)

Key Facts:

Market Size:
£15bn

Number of Businesses:
13,970

Industry Employment:
109,947

Average industry growth 2015–2020
4.8%

(Ibis World, 2020)

Biggest Companies:

- IKEA Limited
- Home Retail Group Ltd
- Dunelm Group plc
- DFS Furniture plc
- JB Global limited
- Steinhoff UK Retail Ltd

(Ibis World, 2020)

2 | MARKET INSIGHTS

2.1 Current Market Scenario

In June 2020, the volume of retail sales increased by 13.9% compared with May 2020 as non-food and fuel stores continued their recovery from the sharp falls experienced since the start of the coronavirus (COVID-19) pandemic.

The two monthly increases in retail sales volume in May and June 2020 have brought total sales to a similar level as before the coronavirus pandemic.

Non-Food Stores & Fuel

In June, while non-food stores and fuel sales showed solid monthly growth in sales volume at 45.5% and 21.5%, levels have still not recovered from the sharp falls experienced in March and April.

Food Stores and Non-Store retailing

Food stores and non-store retailing has reached new high levels since the start of the pandemic, with volume food sales 5.3% higher and non-store retailing 53.6% higher than February 2020.

In the three months to June (April-June 2020), the volume of sales decreased by 9.5% compared with the previous three months of 2020 (January, February, & March), with declines across all store types except food stores non-store retailing.

The proportion of online spending reduced to 31.8% in June 2020 compared with the record 33.3% reported in May but is a considerable increase from the 20.0% reported in February.
(ONS, 2020)

2.2 Technological Innovations

Technology is changing the way every industry does business by helping to create efficiencies, save money, and provide better products and services. Retail businesses are also adopting technology to their advantage. Here are 10 of the top tech trends that will transform shopping in 2020, according to Forbes (2019):

Extended Reality

Virtual and augmented reality offer retailers several ways to enhance the customer experience. From browsing products to virtually “trying them on,” extended reality is already in use by many retailers today. Extended reality can also provide customers with additional information when browsing for products such as the “Living Wine Labels” from Treasury Wines Estates. The IKEA Place ARKit app helps you determine if the furniture you want to purchase will fit and look good in your home. In the future, extended reality will eventually enable consumers to share their virtual reality shopping experience with others.

Predictive Analytics (Big Data)

Retail organisations have never had an issue collecting lots of data, but analysing it and using the data to solve problems or create new solutions has been a struggle. Predictive analytics changes that. Now retailers can be proactive about the future by analysing consumer behaviour and trends from the past. When retailers successfully analyse data, they can understand important information about consumer purchasing behaviour, personalise the shopping experience, address a consumer's needs based on where they are in the customer journey, improve efficiencies, and reduce supply chains and more. Predictive analytics helps retailers be smarter, more efficient, and reduce costs.

Recommendation Engines

Another powerful tech tool for retailers is recommendation engines that help customers find things they never knew they needed and help funnel options to consumers at relevant times in their shopping journey. Recommendation engines get better over time. The more data the algorithms have to assess a customer's shopping behaviour, the better the recommendations. Retailers get to benefit from higher cart sales and improved customer satisfaction thanks to the ease of use. Amazon, Netflix, and Spotify are the recommendation engines customers might be most familiar with, but many other retailers such as Best Buy use them too.

Order Fulfilment Automation

By the end of 2025, more than 580,000 autonomous mobile robots (AMR) will be deployed to help warehouses fulfil customer orders. Many retailers are scrambling to adjust to the "Amazon Effect" and are exploring order fulfilment automation to increase the speed and flexibility of operations to compete with Amazon. This automation can significantly reduce order processing times. In addition, warehouses have struggled to find enough human labourers to keep up with demand, so automated systems are an attractive solution.

Face Recognition

Facial recognition technology helps retailers proactively battle shoplifting and retail crime. In addition, it can bring the personalised online shopping experience to the brick-and-mortar location. When a customer is identified through facial recognition technology, the store staff can better respond to that customer's unique needs. There are certainly legal and privacy concerns to be worked out, but retailers have several advantages who adopted facial recognition technology.

Stock Management

Automated warehouses help improve inventory control. Rather than wait for manual inventories, smart robotics and computer systems keep reliable stock data in real-time. This accurate data helps retailers manage stock flow, make solid predictions, smart decisions, and forecasting that help improve the store's bottom line. Better inventory management of raw, in-process, and finished goods reduces waste, spoilage, and even theft.

Robotic Store Assistants

Another tech trend that's changing shopping is robotic store assistants. Robots can help shoppers find the merchandise they are looking for and answer questions. They can even email special offers or coupons.

Customer Chat Bots

There has been rapid adoption of messaging-based customer service bots across retail. Messaging has become the preferred customer service channel so that that call volume will be reduced. Artificial intelligence bots will improve the customer journey pre-and post-sales by lowering cart abandonment and help customers solve problems after the sale without human intervention.

Internet of Things (IoT) and Smart Equipment

The Internet of Things and smart equipment will transform the shopping experience. Today's consumers want experiences that include personalisation and information to help them make decisions. Internet of Things technology helps stores deliver these experiences to these customers. Smart equipment such as sensor-embedded shelves that track inventory will also change retail operations.

2.3 Government Regulations & Initiatives

Post-Brexit Regulations

The UK has left the EU.

Get an EORI number

Business owners need an EORI number to move goods between the UK and non-EU countries. If they do not have one, they may have increased costs and delays. For example, if HM Revenue and Customs (HMRC) cannot clear their goods, they may have to pay storage fees.

(UK Government, 2020)

If businesses move goods to or from the EU

After the 31st December 2020, business owners will need an EORI number to move goods between the UK and the EU.

They should apply for their EORI number in advance. It can take up to a week to get one.

Business owners will not usually need an EORI number if they only:

- Provide services
- Move goods between Northern Ireland and Ireland

If they use a post or parcel company, the government will tell them if they need an EORI number.

Business owners will need an EU EORI number if their business will be making customs declarations or getting a customs decision in the EU. They should get this from the customs authority in the EU country where they submit their first declaration or request their first decision.

If businesses already have an EORI

(UK Government, 2020)

After the 31st of December 2020, you'll need an EORI number that starts with GB to move goods to or from the UK.

Business owners should check the EORI number. They should apply for a new one if theirs does not start with GB.

Before they apply
To apply, business owners may need their:

- VAT number and effective date of registration - these are on their VAT registration certificate
- National Insurance number - if they're an individual or a sole trader
- Unique Taxpayer Reference (UTR) - find their UTR if they do not know it
- Business start date and Standard Industrial Classification (SIC) code - these are in the Companies House register
- Government Gateway user ID and password

If business owners need a Government Gateway user ID, use either:
(UK Government, 2020)

- the one for their business or organisation
- their own if they're applying as an individual

If business owners do not already have a user ID, they'll be able to create one when they apply.

Apply for an EORI number
It takes 5 to 10 minutes to apply for an EORI number. Business owners will get it either:

- Straight away
- Within five working days (if HMRC needs to make more checks)

(UK Government, 2020)

UK Business Support Mechanisms
The UK government and devolved administrations have been developing and announcing a range of measures to support the economy, businesses and workers through the COVID-19 crisis.
(Pinsent Masons, 2020)

The list of the Business Support Mechanisms is cited below:

- COVID-19 Corporate Financing Facility (CCFF)
- Coronavirus Business Interruption Loan Scheme (CBILS)
- Coronavirus Large Business Interruption Loan Scheme (CLBILS)
- Coronavirus job retention scheme
- Term Funding Scheme with additional incentives for SMEs (TFSME)
- Small Business Grant Fund (SBGF)
- Coronavirus Business Support Grants (Scottish Scheme)
- Future Fund
- ESFA post-16 provider relief scheme
- Bounce Back Loans scheme
- Trade Credit Insurance
- Statutory Sick Pay
- General Taxation - Time to Pay
- Insurance
- Companies House
- Mortgage Holidays
- Deferred VAT payments
- Self Employed Income Support Scheme
- Reform of Insolvency law

3 | MARKET DYNAMICS

Drivers

Sustainability embracing impact on consumer-packaged goods (CPG) businesses
Concern about climate is at an all-time high, affecting consumer behaviour. Brands need to think about how they are communicating what they are doing in this area and embrace emerging trends in innovation.
(PWC, 2020)

Improvement in consumer sentiment but a change in spending priorities
Against many economic forecasts, consumers across the UK are showing a significant improvement in sentiment. With this improvement in sentiment comes a change in spending priorities. Grocery will remain the top spending priority for most, but many consumers expect to economise by reducing waste or shopping around.
(PWC, 2020)

Restraint/Industry Challenges

Brexit uncertainty

In 2020, the economic outlook for the UK was uncertain given Brexit, with most economists forecasting little or no growth.
(PWC, 2020)

Supermarkets' supply chains disruption

Global supply chains are expected to be disrupted by the outbreak due to international borders closing, affecting the supply of foreign goods. Moreover, consumers have been stockpiling antibacterial and toiletry products and food products with long shelf life, putting strain on the industry's supply chain. Some operators have reacted by introducing maximum purchase limits to stop customers from purchasing items indiscriminately.
(Ibis World, March 2020, "Supermarkets in the UK - Market Research Report")

Bakeries

The temporary closure of non-essential retail establishments has resulted in bakeries changing operating models by closing their doors or operating as takeaway only establishments. In turn, numerous companies have experienced a decline in footfall and revenue.
(Ibis World, 2019)

Clothing retail supply chains & profitability highly affected by COVID-19.

The outbreak is expected to cause supply chain disruptions in the current year, pushing up purchasing costs and adversely affecting margins. On top of that, delayed delivery due to the pandemic circumstances will further compound current intense pricing pressures and discounting.
(Ibis World, March 2020)

Opportunities and Investments

Product specification and differentiation strategy

When consumer spending is tight, retailers need to give consumers a reason to spend with them by offering better value (not just lowest price), offering something new (or different) and greater accessibility (via better curation of ranges, customer communication or credit options). To differentiate themselves in a tough, flat market, retailers need to concentrate on some very specific elements.
(PWC, 2020)

Eliminate bad costs permanently by thinking consumer first

Cost reduction is an important part of business streamlining - especially at these times - and is essential for retailers to remain competitive.
(PWC, 2020)

Optimise property portfolios to unlock finances

Changes in the commercial property landscape means there are now new opportunities to optimise the balance sheet through better property management.
(PWC, 2020)

4 COMPETITIVE LANDSCAPE

The PWC expects the outlook to improve across the year. Consumers are more confident than they have been for five years. However, though the consumer may start to be less cautious, PWC believes they will be more considered purchasing, and retailers need to give them a reason to spend. As a result, retailers will need to work harder in this competitive environment to understand who their customers are, what and how they want to buy.
(PWC, 2020)

5 RECRUITMENT CHALLENGES & FACTS

Recruitment & Human Resources Challenges

Brexit and Overseas Workers

There is no doubt that HR managers will feel the effects of Brexit both in retail and across many other sectors. As of the 1st of January 2020, the government has announced that there will be no visas for low-skilled workers, and all prospective immigrants will be screened using a points-based system. The fundamentals of this points-based immigrant system have already been explained:

- Overseas citizens will require 70 points to work in the UK
- Points will be awarded to those who have skilled job offers, qualifications such as an NVQ or PhD in a STEM subject, and a strong grasp of the English language. Other factors such as the applicant's available maintenance funds may also be taken into account
- The yearly salary threshold for applicants will be £25,600, although exceptions will be made for specific shortage occupations such as nursing

What effect will these changes in immigration policy have on HR professionals in the retail sector?

Aside from head office roles, academic qualifications are not a typical route into retail, and the average UK retail salary of £23,638 falls below the threshold. As such, many retail jobs will be classed as low-skilled work, and there will be no specific visas for overseas workers who wish to apply – they will need to obtain Tier 2 visa sponsorship.

Although some prospective immigrants will still be eligible due to their salaries and other factors, the pool of potential low-level retail workers will be diminished, making recruitment a more challenging task post-Brexit. Moreover, retail employers will need to ensure that they are compliant with sponsor duties and carry out the residential labour market test before employing any immigrants, meaning more heavy lifting for HR departments.
(MIT Refinch UK)

Pay Reporting and Transparency

According to a report published by People Management, the majority of UK workers have never had their salaries explained to them. The lack of transparency has sparked debate in recent years about pay reporting, encouraging more employees to raise questions about their pay levels. HR departments will need to manage these pay-related queries appropriately and focus on being transparent about their pay levels. The current best practice for employers is to introduce a transparent salary framework or banding system that all employees have access to, backed up by regular pay reviews in which clear objectives are set. Above all, HR professionals must ensure that all retail workers understand how their remuneration matches up with the value they provide for their employers.
(MIT Refinch UK)

Employee Wellbeing

Employee wellbeing is another focal issue for HR professionals in the retail sector. According to Trendence and 10x Psychology research, graduate employees in retail are the most likely to have poor mental health: only 54% of graduate retail workers reported that their mental health was "very good," compared to the highest figure of 64% in engineering.

These statistics highlight that mental wellbeing will be an important area for HR professionals to address going forward, particularly in the worst-affected sectors such as retail. Mental health issues can severely impinge on an employee's ability to carry out their job effectively and may result in them taking sick leave. Often related to stress in the workplace and poor financial wellbeing, mental illness can be debilitating for sufferers and can negatively impact productivity levels.
(MIT Refinch UK)

Workforce Management

Managing a workforce has always involved the careful navigation of a wide range of different roles and responsibilities. Employers are now responsible for their employees in more ways than ever before as their duty of care has broadened, rendering workforce management an increasingly difficult task. With more and more regulations in areas such as pay transparency on the way, this isn't set to change any time soon.

What's more, failure to keep track of the full spectrum of management tasks can have devastating consequences for employee experience and, ultimately, employee retention rates. By implementing workforce management software, retailers can create a single view for your HR managers and keep everyone in the business on the same page, enabling decision-makers to identify where additional resources are needed and plan effectively.
(MIT Refinch UK)

Attracting and Keeping Talent

With half of UK retail workers employed part-time and a large proportion of them under the age of 25, the task of attracting and keeping talent in the retail sector is strenuous.
(MIT Refinch UK)

Research from quality assurance improvement platform EvaluAgent believes retail companies are concerned about high turnover rates.
(Comment Central UK, 2020)

Manpower Planning and Seasonal Demand

Seasonal demand poses a challenge to HR departments in the retail sector. Clearly, it's important to forecast changes in demand levels throughout the year and plan appropriately so that each store has the necessary manpower to cope with busy periods, particularly when footfall varies significantly between outlets. Behind the scenes, there's the additional challenge of organising sufficient staffing throughout different areas of the business, from shop floor staff through transport and logistics.
(MIT Refinch UK)

Managing Theft and Misconduct in Employees

Employee misconduct can take many different forms and varies in severity. Minor misconduct encompasses a range of relatively small misdemeanours that can be overcome through the right procedures, including persistent lateness and missing work deadlines. Gross professional misconduct, on the other hand, is far more serious and often leads to more significant outcomes (theft and fraud are examples of actions that constitute professional misconduct).

While dealing with employee misconduct is nothing new, there are innovative technological solutions that can help HR approach this old problem in new ways. For instance, many forms of minor misconduct can now be identified and dealt with through automated systems, such as time and attendance software supported by biometric or RFID clocking units. Of course, it remains important to have robust procedures in place to deal with both minor misconduct and serious infringements, such as employees stealing from the business.

Any legal action that proves necessary must happen at the right time, following in-depth consultation with the company's lawyer(s). As an employer, it's also essential to remember that serious allegations of misconduct can be emotionally draining both for the suspected perpetrator and the HR staff who handle the case, so such matters must be handled with sensitivity.

(MIT Refinch UK)

6 KEY FINDINGS SUMMARY

- **The total value of UK Retail sales in 2019:**
  £394 billion

- **People employed in UK retail in 2019:**
  2.9 million

- **Growth in retail sales in 2019:**
  3.4%

Industry Drivers

- Sustainability embracing impact on consumer-packaged goods (CPG) businesses

- Improvement in consumer sentiment but a change in spending priorities

(PWC, 2020)

Restraints/Industry Challenges

- Brexit uncertainty
  (PWC, 2020)

- Supermarkets' supply chains disruption
  (Ibis World, 2020)

- Clothing retail supply chains & profitability highly affected by COVID-19
  (Ibis World, 2020)

Opportunities and Investments

- Product specification and differentiation strategy

- Eliminate bad costs permanently by thinking consumer first

- Optimise property portfolios to unlock finances

(PWC, 2

7 FORECASTS 2020-2022

The Centre for Retail Research forecasted that retail sales would grow by +2.1% in 2020. They estimated that the total retail sales in 2020 would fall overall by -4.6% compared to 2019 (or a reduction of £17,281m). The level of retail sales will not regain last year's level (2019) until 2022.

Effect on online and bricks-and-mortar retailers

The Centre for Retail Research expected that online retailers would benefit from the lockdown in 2020 of most bricks-and-mortar shops. Online retail sales in 2020 were predicted to grow from £48.276bn to £56.161bn, a 16.3% increase.

Effects of coronavirus on jobs, Store Numbers and Retail Sales

The Centre for Retail Research believes that department store groups, fashion and footwear, large general stores, and smaller independents are most vulnerable. They estimate that in 2020, a total of 20,622 stores would close (against 16,073 in 2019), and that job losses would rise to 235,704 people (against 143,128 in 2019). By 2022, retail sales should have recovered.

Some cautionary points:

Slow UK growth is hard to reverse.

Growth in the UK has been weak since 2016-17. Growth is expected to weaken further in 2020 because we have switched off the economic engine and are coasting on an empty down downhill. The lockdown will hit industries like retailing, tourism, leisure and entertainment. Many businesses will not reopen.

Business investment is a priority. Investment in industry and the services will be cut right back to the minimum in order that business can survive. This will come after more than four years of steadily falling investment in creating smarter jobs and opportunities in new sectors. Weak growth and hesitations over Brexit have been reasons for the UK's poor performance in productivity. They have led to low-cost workers being employed by businesses rather than machinery and robotics.
(Centre for Retail Research, 2020)

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