



Market snapshot:
a report of the UK's retail industry
[during COVID-19]



Contents

1. Introduction

- 1.1 Synopsis of report
- 1.2 Landscape analysis

2. Sector analysis

- 2.1 Food
- 2.2 Health and beauty
- 2.3 Home
- 2.4 Sport and leisure
- 2.5 Technology
- 2.6 Entertainment
- 2.7 Fashion

3. Conclusion

1.

Introduction

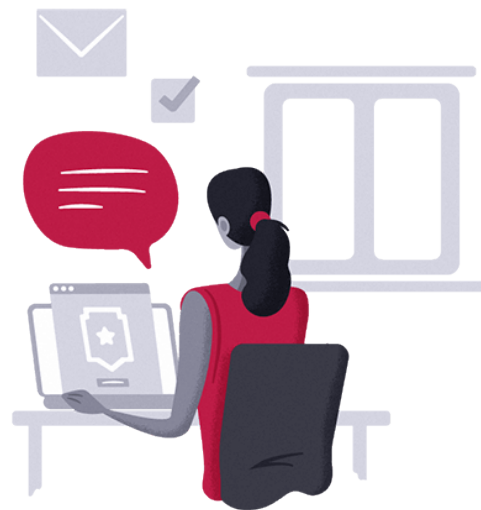
1.1 Synopsis

Whilst the world is working hard to beat coronavirus, life, in many senses, goes on. For those working in the retail sector in particular, the threat of reduced spend, impossible footfall, stock supplies and more mean that business remains highly unpredictable - causing huge challenges across the board.

This report, created by telecommunications provider [TextAnywhere](#) who work with hundreds of retailers across the country to improve their internal and customer facing communication, provides an in-depth review of the UK's retail industry amidst the COVID-19 pandemic landscape.

By analysing data from a variety of official sources on metrics including company shares and search volumes, it shows how the industry has been affected, looking at how each specific sector of retail has been impacted by coronavirus.

It also documents how retailers are changing their processes to benefit consumers and what government support is provided for retailers at this time, as well as what other companies are doing to support each other and the industry as a whole.



1.2 Landscape overview

The retail industry is the UK's largest private sector employer with almost three million workers. It is vital to the UK economy, generating £381 billion worth of sales in 2018 alone. At present, the UK consumer retail sector is broken down into seven different categories:

- **Food**
- **Health and beauty**
- **Home**
- **Sport and leisure**
- **Technology**
- **Entertainment**
- **Fashion**



In order to fully comprehend the retail landscape as a whole at this time, this report will break down each individual category, analysing the data, consumer behaviour and highlighting the main players within each.

2.

Sector analysis

2.1 COVID-19 and the food retail industry

Landscape analysis

The food industry plays a significant role in the retail sector and the UK economy as a whole. According to a recent [ONS](#) report, food stores currently provide the largest contribution to retail spending in the UK, with a 0.7% year-on-year contribution to the growth of the sector as of February 2020, compared to a -0.3% decrease for non-food stores.

Even prior to COVID-19, the sale of food in the UK has increasingly been moving online. The same ONS report indicated that online sales are soaring in the food industry: food retailers noted a 0.8% increase in their online sales year-on-year in January 2020.

The data surrounding the source of the goods sold by UK food retailers also provides an illuminating picture of the landscape. A large proportion of the food that is consumed in the UK is imported, with just [53% produced in the country itself](#). It is worth noting here that much of the imported food is considered vital for health and could not be produced in the UK. For example, fruit and vegetables account for £10bn in imports. In terms of international food trade, the UK [imported £46.8bn worth of foods and exported £22.5bn](#) in 2018.



Major players in the FMCG and food retail sector

The major players in the UK food industry are:

- Sainsbury's
- Tesco
- Asda
- Morrisons
- Waitrose
- Aldi
- Lidl

The impact of coronavirus on the food retail sector

Whilst the quantity of goods being bought from food stores was decreasing in the months leading up to the COVID-19 outbreak ([source](#)), the situation has since dramatically reversed. Examining the 12 weeks leading up to the 22nd March, all of the major UK supermarkets saw significant increases in sales: Lidl's sales rose the most during this period with a 17.6% increase, whilst Ocado and Iceland were next with 12.5% and 11.7% increases respectively. Aldi, The Co-operative, Waitrose, Sainsbury's, and Tesco also saw sales increase by more than 5%.

The surge in demand for groceries has also produced knock-on effects in terms of staffing, opening hours and product lines in the UK food industry. Supermarket chains have needed to employ thousands of additional workers in temporary positions, with 5000 new short-term positions opened up by The Co-operative alone ([source](#)).

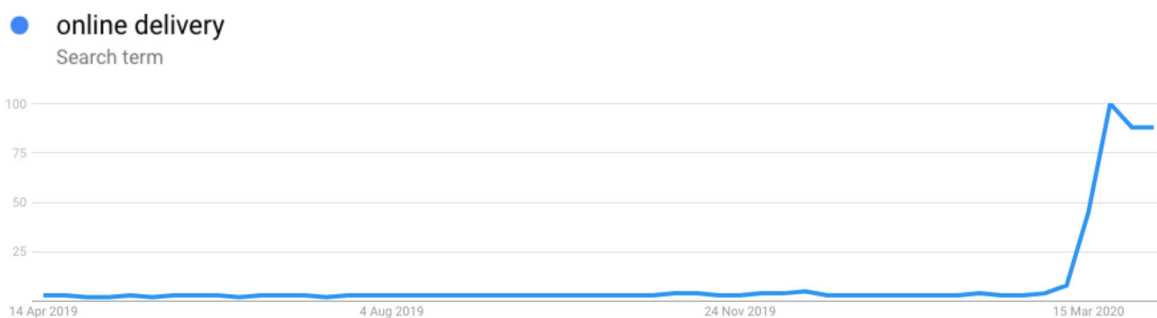
At the same time, these supermarkets have had to drastically cut their product ranges – Morrisons, for example, has reduced its bakery lines from 17 to seven ([source](#)). Stores such as Tesco and Sainsbury's have also introduced shopping hours that are reserved for the elderly, vulnerable customers, and key workers.

Looking at industry demand: consumer behaviour

Search trends in food retail amid COVID-19

The sudden upshot in sales within the UK food industry is also reflected in dramatic shifts in consumers' online search habits during recent months.

For example, the search term "[online delivery](#)" saw a sudden increase in interest on Google around the 15th March, with the number of searches beginning to increase even prior to the initiation of the UK lockdown on the 23rd March.



As new opening hours were introduced and special measures were put in place to ensure that certain vulnerable groups had access to the groceries they needed, there was also a spike in the number of users searching for “[supermarket opening times](#)” on Google.

● supermarket opening times



With all of the increased demand for groceries, certain types of food product began to run out of stock across the vast majority of supermarkets over the course of March. The most notable shortages were of essential items such as rice, bread, and pasta, a pattern which is mirrored in the sudden increase in volume for search terms such as “[buy pasta](#)” as consumers turned to online stores.

● buy pasta

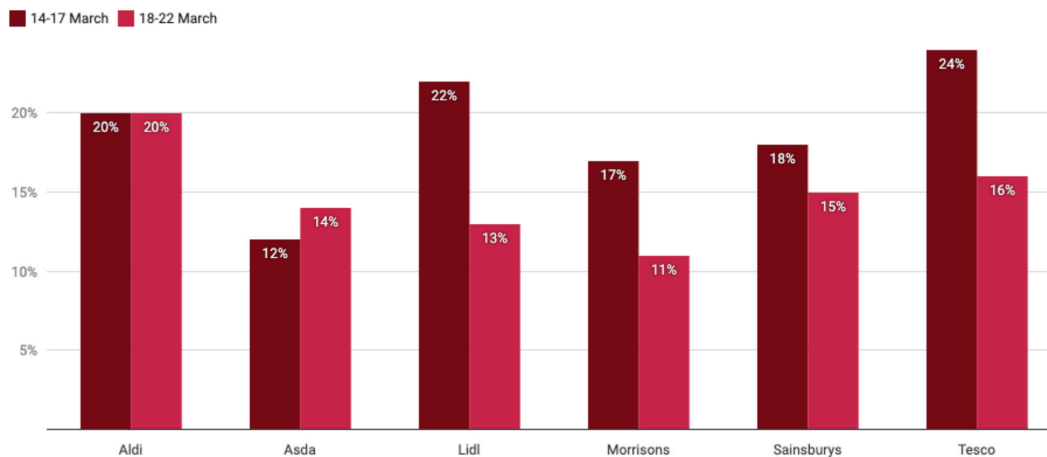


Panic buying and supermarket availability during coronavirus

As the demands for certain essential items increased, the availability of these types of goods dropped suddenly in many cases. The availability of panic bought goods fell to 11% at Morrisons during the period 18th-22nd March, whilst Tesco had a 16% availability of these items (the highest level from within the big four at this stage).

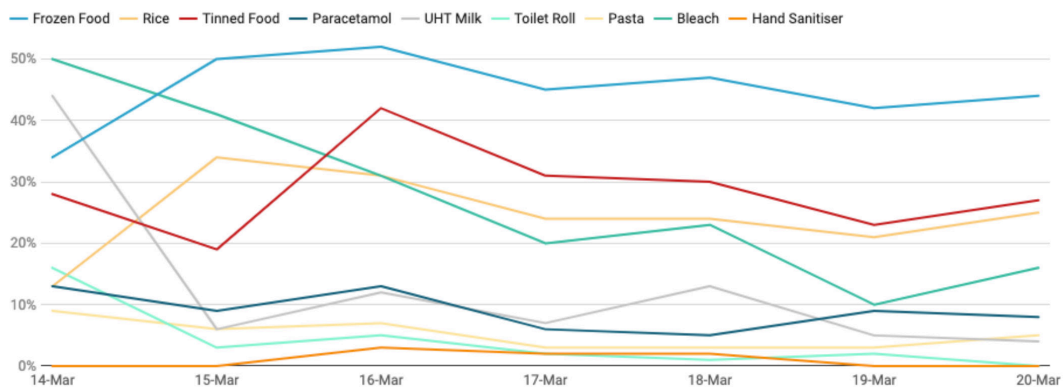
As shown in the graph below, the worst-affected items were hand sanitiser, pasta, and bleach (with pasta falling as low as 4% availability across all stores). A stark decline was also observed in the availability of UHT milk across all retailers; the overall supermarket availability was 44% on 14th March, falling suddenly to 4% by the 20th March.

Supermarket availability during panic buying



Source: Shepper for The Grocer

Availability of panic bought items over time



Source: Shepper for The Grocer - Get the data - Created with Datawrapper

([source](#))

Supermarket availability across industry players

UK supermarket stock availability of panic-bought items by retailer (%)

Supermarket	Frozen Food	Rice	Tinned Food	Paracetamol	UHT Milk	Toilet Roll	Pasta	Bleach	Hand Sanitiser
Tesco	52	27	36	8	11	2	3	24	3
Sainsburys	51	30	36	11	10	2	8	26	2
Morrisons	45	23	25	11	10	2	0	20	2
Lidl	36	17	31	9	8	4	8	26	1
Asda	42	29	28	11	7	2	2	22	1
Aldi	55	34	36	6	13	7	9	21	4

Source: Shepper for The Grocer [14/03/20-22/03/20] - [Get the data](#) - Created with [Datawrapper](#)

([source](#))

Home delivery availability

In response to the rising demand for home deliveries, Sainsbury's announced on Twitter that it would be trialling a new bike delivery service operating from its smaller, local stores:



Sainsbury's News
@SainsburysNews

To help us feed the nation & meet unprecedented demand for home deliveries, we're trialling using our fast bike delivery service Chop Chop to deliver groceries to customers from closed Local stores, offering shoppers another way to access essential items bit.ly/3dQbFfS



4:48 PM · Apr 2, 2020 · [Twitter Web Client](#)

Tesco has also tweeted about its efforts to help out vulnerable consumers who have struggled to access the company's online delivery service:



Government advice and support for food retailers

The UK government has introduced a range of temporary measures to help ease the stress placed on the food industry during the COVID-19 outbreak, including:

- The **government** has temporarily relaxed elements of competition law as part of a package of measures to allow supermarkets to work together to feed the nation
- Retailers can now share data on stock levels, cooperate to keep shops open, share distribution depots and delivery vans
- Supermarkets are able to now pool staff together to help meet demand
- The government has relaxed rules around drivers' hours temporarily and also waved the 5p plastic bag charge for online purchase to speed up deliveries.

2.2 Health and beauty retail during the coronavirus pandemic

Landscape analysis

The health and beauty industry in the UK has been growing steadily in recent years, with total revenue amounting to £12.8bn in 2020 according to [Statista](#) (a year-on-year increase of 2.4%). Moreover, huge growth is forecast for the industry over the next four years – [GlobalData's industry report](#) suggested as recently as February 2020 that sales will rise by 8.8% between 2020 and 2024, equating to an additional £2bn in revenue.



According to the [NPD](#), the vast majority of health and beauty sales take place through high street retailers in the UK at 80%.

Consumers tend to prefer purchasing items from health and beauty brands once they have tried the products in-store, meaning that most purchases take place in person and on a spontaneous basis ([source](#)).

That said, purchase behaviour is shifting towards online sales, a theme reflected in many retail segments. By 2023, it is predicted that 28% of total health and beauty revenue in the UK will be generated through online sales ([source](#)).

Major players in the UK health and beauty industry

The major players in the UK health and beauty industry include:

- **Boots**
- **Superdrug**
- **Holland & Barrett**
- **Colgate**
- **Nivea**

Changes in health and beauty retail since COVID-19

Supply chain interruption is one of the primary issues for the health and beauty industry during the COVID-19 outbreak.

For over two months, cosmetic and personal care manufacturers have been reporting supply chain disruptions. Furthermore, John Moeller, CFO of Procter & Gamble, has stated that as many as 17,600 products could be affected by disruption to the multinationals' supply chain ([source](#)).

There have also been significant in-store changes for the major players in the UK health and beauty industry. Boots has temporarily closed 60 of its retail stores as staff are reorganised to ensure that communities are well supported by local pharmacies ([source](#)). This chain has also helped out by providing COVID-19 testing for key workers, which has been implemented through its retail stores ([source](#)).

For many firms in the industry, COVID-19 has acted as a stimulus to switch up production in an effort to support the fight against the pandemic. Colgate has upped its output of soap-based products and donated 35 million bars of soap to health organisations ([source](#)). Equally, Nivea has started production of medical-grade disinfectants to support the fight against the pandemic in Europe, the German consumer goods firm said on Thursday, offering to deliver 500 tonnes to medical facilities and public services ([source](#)).

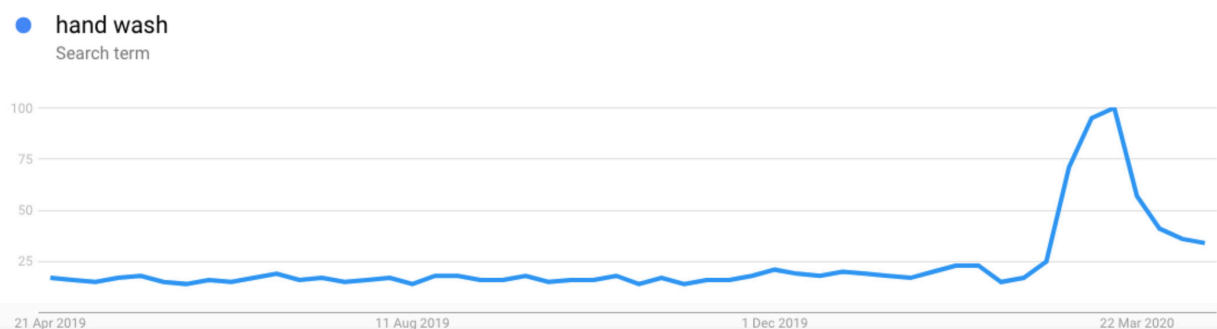
The Body Shop has stepped up to play its part, too. In the UK, the brand has gifted over 255,000 skin and body care products to NHS workers, along with 100,000 bars of soap and 100,000 tubes of hand cream to new temporary hospitals across the nation.

Similarly, the L'Oréal group has announced a huge Europe-wide programme to help with the antibacterial shortage and will be using their factories to produce hand sanitiser and hydro-alcoholic gel, which will be distributed to French and European authorities fighting COVID-19 ([source](#)).

Looking at industry demand: consumer behaviour

Search trends

The disruptions to supply chains and heightened demand for health products such as hand sanitiser has generated additional interest in certain search terms online. There have been sudden spikes in the search volume for terms such as “**buy hand sanitiser**” and “**hand wash**”, as well as a reasonable uptick for searches like “**buy medicine online**”.



● buy medicine online
Search term



● buy hand santiser
Search term



What people are saying

“For beauty specifically, we’ve seen that the impact has been pretty big. And that’s due to the type of shopper mission,” said Florence Wright, retail analyst at Edge by Ascential.

“Typically, beauty is about going out; leaving the house; socialising, and that’s had implications in terms of consumers cutting back on that, for obvious reasons,” Wright told CosmeticsDesign-Europe.

“Expect to see people initially put off buying beauty products and focusing more on soaps, hand sanitizer and personal care products. There will then be an uptick in non essential items as consumers come out of their initial anxiety and stocking up phase.” ([source](#))

2.3 Home retail

Landscape analysis

The home retail industry refers to businesses that stock homeware products such as furniture, decorations, and DIY materials. The industry has expanded substantially over the past decade, with total revenue reaching £13.5bn in 2019 ([source](#)). Over the next four years, the home retail industry is expected to exhibit a healthy compound annual growth rate (CAGR) of around 5.1% ([source](#)).



As with many other retail industries, home retail sales have been moving online steadily over the past few years. Prior to the COVID-19 outbreak, a key trend in the industry was the rise of online pureplay retailers such as Wayfair.co.uk and Very.co.uk, which rapidly gained market share by providing a convenient shopping experience and short delivery times ([source](#)).

Major players in the UK home retail industry

The key players in the UK home retail industry include:

- **Dunelm**
- **John Lewis**
- **IKEA**
- **Next**
- **Wilko**
- **B&M**
- **The Range**
- **Wayfair.co.uk**
- **Very.co.uk**

([Source](#))

Changes in home retail since COVID-19

Although the shift towards online shopping in the home retail industry began well before the COVID-19 outbreak, the majority of homeware retailers have been forced to close due to the UK lockdown, producing a surge in online sales. According to Retail Economics, as of the beginning of April 2020, the revenue produced by online homeware sales had risen by 12.4% year-on-year.

Supermarkets are the only homeware retailers that are exempt from the UK lockdown, meaning that offline sales will be dominated by players such as Tesco and Sainsbury's over the next few months. This difficult climate has forced firms such as IKEA to move operations online and sell a limited range of products whilst the lockdown persists ([source](#)). Some D2C homeware brands have benefitted from the shift towards online, with The Stripes Company seeing a 70% uplift in sales over the past three weeks ([source](#)).

Buying behaviour in the home retail industry has traditionally been highly experiential, with consumers preferring to buy homeware products in person once they have physically tested them out. However, agile homeware brands such as Burrow have adapted quickly to the closure of physical stores by establishing services for in-home virtual consultations, allowing for a more hands-on approach even in the online space ([source](#)).

Looking at industry demand: consumer behaviour

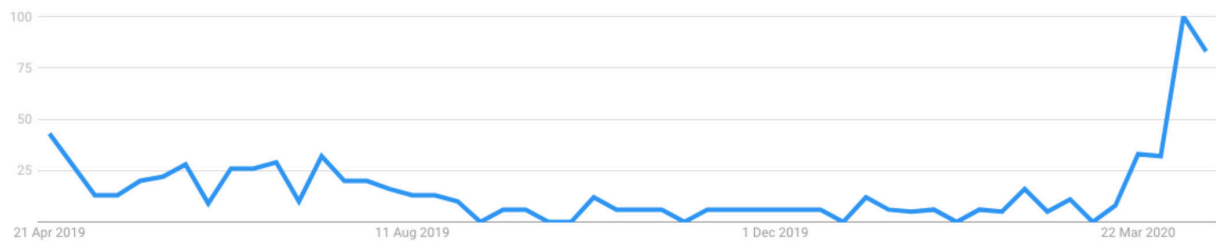
Search trends

With consumers now stuck at home during the UK lockdown, many have started to explore ways to brighten up spaces and make their immediate environment more pleasant to be in. Google searches for terms such as "garden furniture," "outdoor bean bags," and "DIY" have risen considerably as a result:



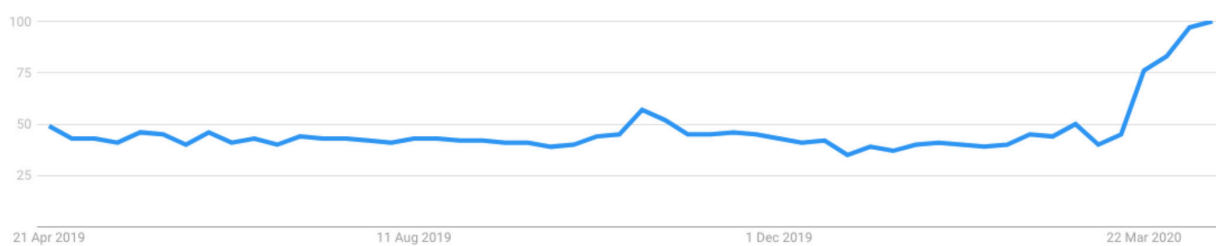
● outdoor bean bags

Search term





● DIY

Search term



What people are saying

Many companies in the UK home retail industry have stepped up to the plate to help out vulnerable consumers during this difficult period. IKEA, for example, has donated £26m of products to help create better temporary homes:

 **IKEA UK** 
@IKEAUK

To help tackle the effects of Covid-19, IKEA is offering an initial €26m of furniture, food & aid to help those in need. We're also protecting the livelihoods of as many of our co-workers, suppliers & partners as possible. Creating a stronger tomorrow, together.

6:31 PM · Mar 27, 2020 · [Twitter for Android](#)

Similarly, Dunelm has provided its employees with free fabric to create simple cotton laundry bags to help out key workers in the NHS:

 **Dunelm** 
@DunelmUK

We want to make a difference, quite literally. Here at Dunelm, we want to help wherever and as much as we can!

Take a look at what our fabulous store colleagues have been doing to help out the amazing NHS workers 

bit.ly/34Fm8GX

7:03 PM · Apr 15, 2020 · [Sprout Social](#)

2.4 Sport and leisure

Landscape analysis

The total revenue across businesses in the sport and leisure retail industry is predicted to reach £3.38bn by the end of 2020, a significant year-on-year increase of 7.1% ([source](#)). Compared to other retail industries, sport and leisure is expected to skyrocket this year with unprecedented demand for athleisure and home fitness equipment.

As more firms enter the athleisure space, we will see more competition from retailers who had previously steered clear of the sporting goods industry, putting traditional sports retailers under more pressure ([source](#)). Whilst user penetration is lower than other areas of retail in the UK, it is predicated that this will rise from 20.1% to an impressive 27.1% by 2024 ([source](#)).

According to [research](#) conducted by Imperial College London, the sport and leisure retail industry is supported by a far greater number of part-time workers than average: around 47% of workers are employed on a part-time basis, compared to 27% of the whole UK workforce. There are currently 663,300 people working in the industry, which accounts for around 2% of the UK workforce.



Major players in the sports and leisure retail industry

The most prominent players in the sports and leisure retail industry include:

- **Sports Direct**
- **JD Sports**
- **Halfords**
- **Decathlon**
- **Nike**
- **Adidas**
- **Under Armour**

([source](#))

Changes in sport and leisure retail since COVID-19

The UK lockdown has shifted the focus of the industry towards athleisure and fitness equipment for use in the home, with a huge surge in demand for these types of products ([source](#)). Whilst these effects are so recent that aggregated financial data is very limited, there have been many examples of individual home fitness retailers selling out of stock. The largest UK supplier, Fitness Superstore, stated that the rise in order volume has “driven all areas of [the] business to maximum capacity,” forcing the firm to impose a £200 minimum spend to decrease the speed at which orders are coming in.

As demand for home exercise equipment rises, the result has been a concomitant increase in prices. [Love the Sales](#) has compared the data on prices, discounts and product data from over 1,000 online retailers in the sport and leisure industry, providing analysis of year-on-year changes as of 7th April 2020. Digging into specific product types, kettlebells saw the greatest increase in consumer demand (419%) and average prices (up 55%).

The data for other product types are outlined below:

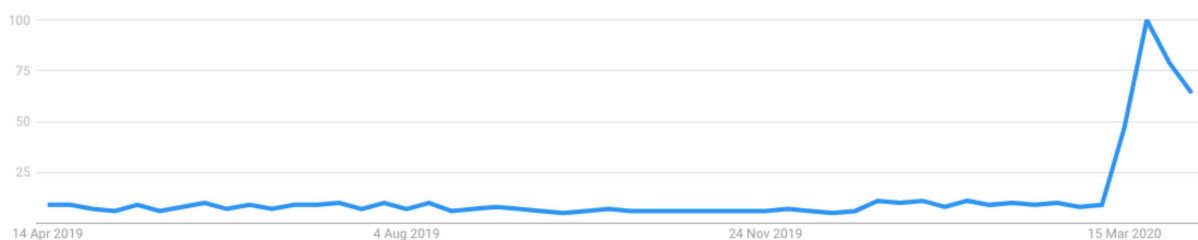
Exercise equipment	Consumer Demand YOY	Prices YOY
Kettlebells	+419%	+55%
Yoga Mats	+260%	+29%
Skipping Ropes	+233%	+44%
Barbells	+219%	+37%
Dumbbells	+188%	+52%

Looking at industry demand: consumer behaviour

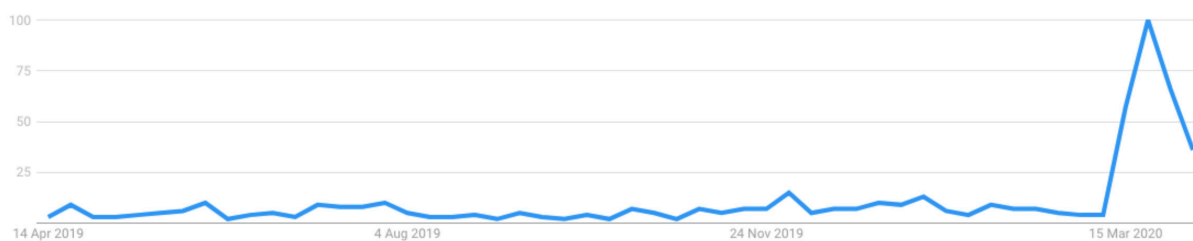
Search trends

Whilst it will take time for retrospective sales data to provide evidence of this sudden surge in demand for home fitness products, online consumer search trends confirm that a massive increase in the levels of interest in these items is taking place. Google searches for terms like “[home workout](#)”, “[home workout equipment](#)”, and “[dumbbells](#)” have dramatically increased since the onset of the COVID-19 outbreak:

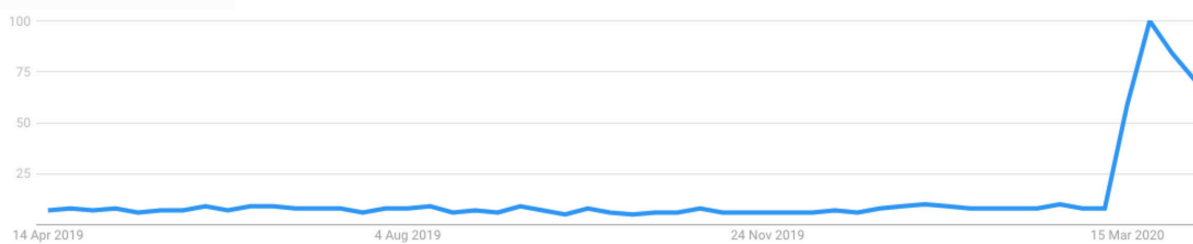
● home workout Search term



● home workout equipment Search term



● dumbbells Search term



According to [Business Insider](#), “among exercise equipment, kettlebells saw a 419% jump in consumer demand – the highest in comparison to other equipment – with a price increase of 55% compared to last year. Other products such as yoga mats, skipping ropes, barbells and dumbbells also saw comparable bursts in demand with soaring rates.” At the same time, shares of Peloton increased **by 9.2%** earlier this month, while downloads of its app were reportedly up **five times** in March compared to February.

What people are saying

Aaptiv is another digital fitness platform that has seen an increase in demand. [Speaking to Business Insider](#), CEO and founder of Aaptive, Ethan Agarwal, says that **“engagement for non-equipment programs has increased by 50% (for the week of 16th March), whereas usually the engagement is the same for both equipment and non-equipment based workouts”**.

The boss of JD Sports, Peter Cowgill [commented](#):

“Along with everyone else, the group is experiencing major disruption to our business operations as we seek to protect our colleagues and customers from the effects of COVID-19 [...] Their safety remains our number one priority and we continue to take all appropriate action in line with government advice in our various territories.”

Government advice and support for sport and leisure retail

Deeming the sale of sport and leisure goods in bricks-and-mortar stores to be non-essential, the UK government has announced that all such retail stores will be closed, stating that only key workers should be travelling to work during the COVID-19 outbreak. This has continued to drive online traffic for home workouts, as we have seen in the data above.

2.5 Technology

Landscape analysis

The UK technology retail industry refers to retailers that sell electronics to consumers and businesses, both online and offline. Compared to other retail industries in the UK, total revenue and user penetration are remarkably high in tech: UK technology retail revenue currently amounts to £9.99bn in 2020 whilst user penetration has reached an incredible 42.2% ([source](#)). That said, the expected compound annual growth rates (CAGR) for the technology retail industry between 2020 and 2023 are lower than in other retail industries at 1%.



Considering the channels through which consumer electronics are sold, online sales play a more significant role than in other retail industries. Whilst the majority of sales still take place offline, 48% of sales in the retail technology industry are now made online ([source](#)). For traditional offline technology retail companies, there has been increased pressure to reduce prices due to the proliferation of online electronics firms selling to consumers in the UK ([source](#)).

Major players of Technology retail

Major players operating in the UK technology retail industry include:

- **Dixons Carphone**
- **AO**
- **Apple**
- **Amazon**
- **Argos**
- **Currys PC World**
- **Game**

([source](#))

Changes to technology retail since COVID-19

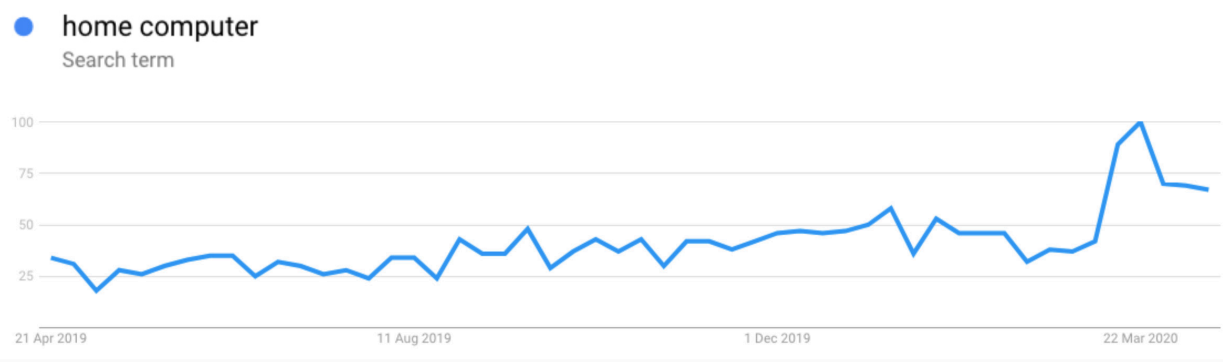
Despite the fact that electronics stores have been forced to close during the lockdown, the initial outlook for those UK technology retailers that can operate online is positive. As the vast majority of the workforce is now working from home, there has been a sudden surge in demand for monitors, laptops, and WLANs resulting in a national shortage ([source](#)). Equally, there have been dramatic increases in sales for a wide variety of other electronic products that are typically used in the home, including PCs, TVs, gaming consoles, and small appliances ([source](#)). According to [research conducted by Statista](#), 5% of consumers have reported that they are spending significantly more on electronics during the COVID-19 pandemic.

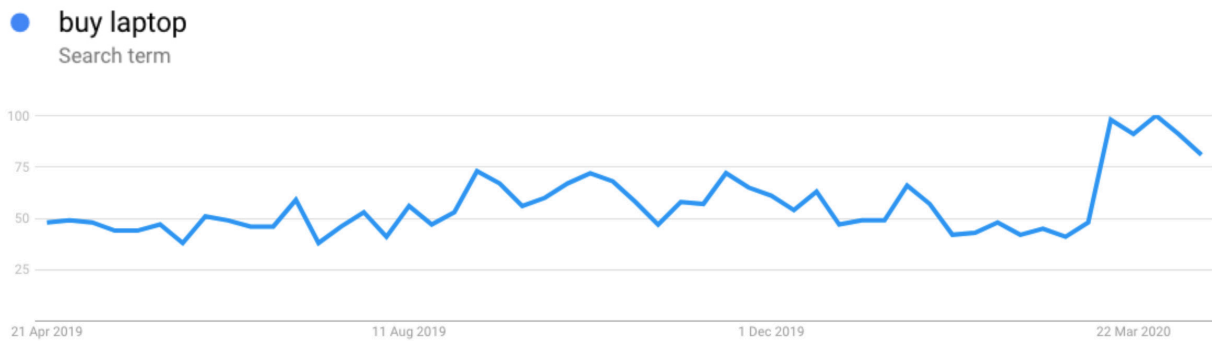
In order to cope with the lockdown-related uptick in demand, Amazon has hired over 100,000 new employees in the past four weeks. The company says that it hopes its hiring efforts can help to mitigate some of the job loss and furloughing that has resulted from the economic effects of the COVID-19 pandemic ([source](#)).

Looking at industry demand: consumer behaviour

Search trends

The trend of increased online spending on technology is also reflected in a spike in the level of search demand for consumer electronics in the UK. In particular, terms such as “home computer” and “buy laptop” saw sizeable increases in search volume around the time that the UK lockdown was announced, albeit that the demand has dropped off slightly in both cases:





What people are saying

Even prior to the spike in search volume for consumers looking to buy laptops online, IT workers had anticipated the surge in demand that was to come:



Mike Leonard
@Realmikeleonard

Working in IT I'm noticing majority of my clients are worried about the lockdown and working from home. Some clients are ordering up to 100s of laptops, they're will probably be a shortage in laptops in the coming weeks.

3:27 PM · Mar 14, 2020

The trend was then discussed in greater depth by commentators such as technology journalist, Todd R. Weiss:



Todd R. Weiss
@TechManTalking

Buying a new laptop computer to work from home is becoming harder in stores and online due to the coronavirus epidemic [#COVID19](#) [#remoteworking](#) techrepublic.com/article/laptop... By [@TechManTalking](#) [#laptop](#)

6:39 PM · Mar 25, 2020

2.6 COVID-19 and the entertainment retail industry

Landscape analysis

The entertainment retail sector within the UK is hugely popular, with data showing no signs of this growing industry slowing down. The [Entertainment Retailers Association](#) (ERA) reported that the gaming industry now accounts for more than half of the total entertainment market in the UK for the first-time last year. The industry has seen a 12.5 per cent growth in digital sales, while its physical sales stood relatively firm, dropping just 2.8 per cent. According to the ERA, combined physical and digital sales UK games sales in 2018 generated a record £3.86bn, increasing nearly 10% on the previous year.



Over the last few years, it's clear that gaming retail as a form of entertainment has exploded, with revenues 2.5 times that of the film industry and 6 times the size of digital music. According to [research](#) conducted by UK online gaming retailer Green Man Gaming, the number of in-game hours spent on Steam, an online platform where users can purchase, download and play video games, rose 88% last year alone. Additionally, ahead of coronavirus hitting, in-game playtime was at an all-time high, with the UK spending a combined total of 92 million hours gaming last year.

It doesn't stop there, gaming companies are popping up to meet consumer demand; as of June 2018, there were 2261 active games companies in the UK. Although many of the core hardware suppliers for gaming come from outside of the UK, entertainment hardware continued to be a core driver of spend for UK consumers, with the market increasing 10.7% to £1.57bn. Consoles sales grew a solid [+6.5% to £702m](#), despite no new consoles being released.

Major players of Technology retail

According to [statista.com](#), the [leading entertainment retailers](#) within the UK are currently the following:

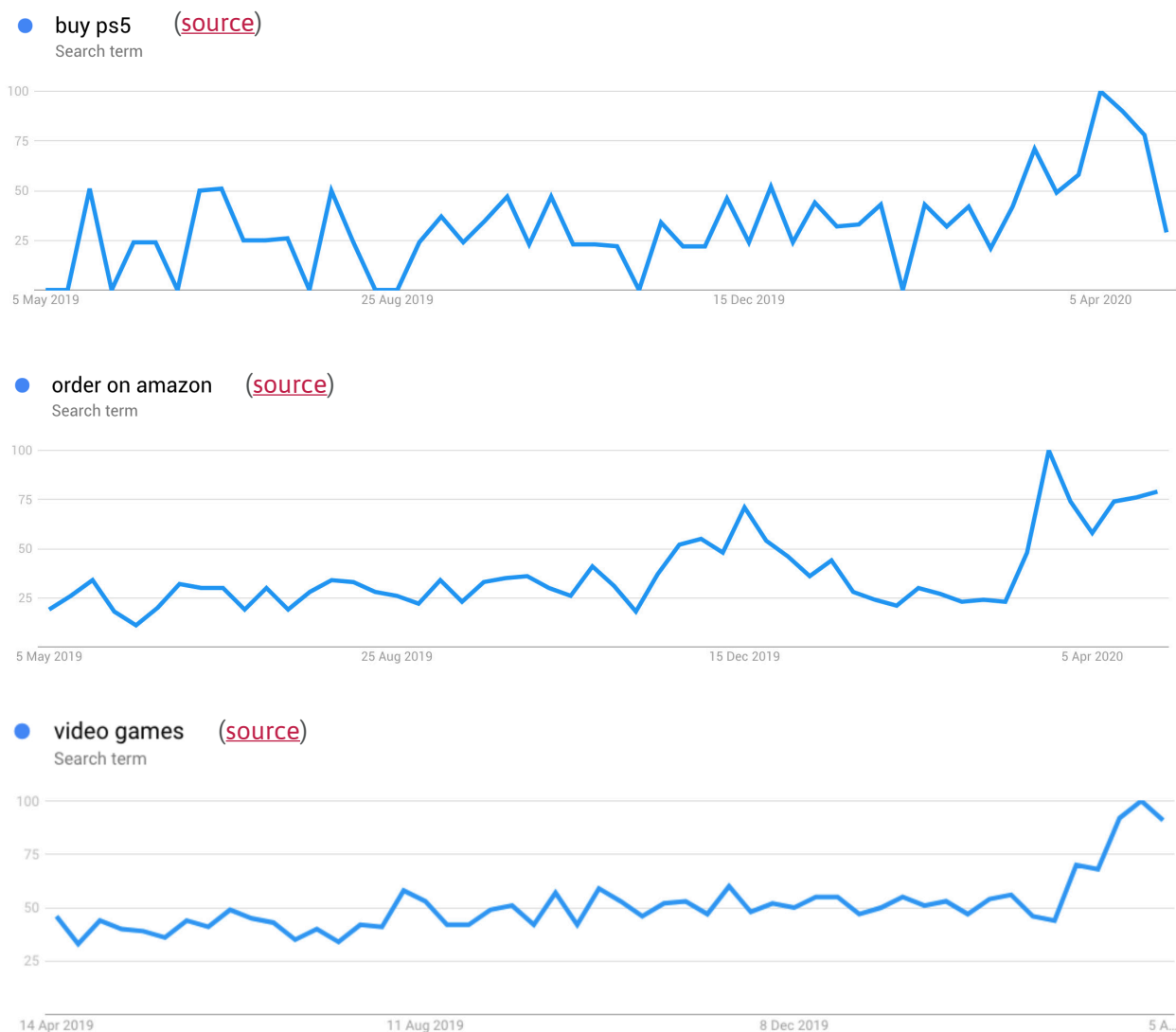
- Amazon
- HMV
- Tesco
- JS
- Asda
- Game Group
- Argos
- Morrisons
- Zawi

The impact of coronavirus on the entertainment retail sector

Entertainment as a whole industry has seen an increase in demand as a result of the lockdown measures put in place by the UK government, stimulated by consumers seeking entertainment for their own homes. Despite this, as per the government guidelines, many entertainment retail stores have been forced to close as they are not deemed essential. HMV closed all 120 stores across the UK because of Coronavirus ([source](#)), whilst catalogue stores such as Argos shut their stand alone stores but kept their online shops open, as well as their larger shops inside Sainsbury's which are open for pickups. As expected, online retail of entertainment has been doing exceptionally well.

To quantify this consumer demand, we took a look at search trends for popular entertainment products in order to highlight any increases or changes to general consumer intent.

Search trends in entertainment retail amid COVID-19



What entertainment retailers are saying about COVID-19



COVID-19 is our biggest challenge yet. From flying masks around the world to rolling out daily temp checks, we'll continue rising to the challenge of keeping our team safe. amzn.to/34AURVX

5:59 PM · Apr 14, 2020 ·

"COVID-19 is our biggest challenge yet. From flying masks around the world to rolling out daily temp checks, we'll continue rising to the challenge of keeping our team safe"

"Today's visits by our founder and CEO [@JeffBezos](#) to say thank you to Amazon fulfillment center and [@WholeFoods](#) employees. We're all incredibly proud of the thousands of our colleagues working on the front lines to get critical goods to people everywhere during this crisis."

A spokeswoman for Argos: *"Argos products can only be bought online. We are then strongly advising customers to have these delivered to their homes. We also have an option to collect from Sainsbury's supermarkets while doing an essential food shop."*

"The safety of colleagues and customers is extremely important to us and we have introduced a range of measures to keep people safe. We have fully committed to supporting all colleagues who are unwell or self-isolating."

Government advice and support for entertainment retailers

All non essential shops have been ordered to close and online retailing is encouraged, despite queues on many of the major retailers sites. Employers are able to furlough their staff, although it remains one of the industries still hugely active within an ecommerce perspective, since consumers stuck at home are investing in more entertainment than ever.

2.7 COVID-19 and the fashion retail Industry

Landscape analysis

As one of the largest sectors in the UK, the fashion industry saw a significant increase year-on-year in the beginning of 2020. According to the Office of National Statistics (ONS), online sales for clothing, footwear and textiles had seen a 14.9% increase year-on-year in [January 2020](#). The fashion industry also saw a month-on-month increase of 11% in January, which is the largest increase of all sectors, according to ONS. Online sales attributed to 19.7% of retailing during the beginning of the year too, demonstrating consumers' preferred interest in physical retail experiences.



The fashion sector is also one of our largest employers in the UK with around 555,000 people employed in fashion and textiles retail, according to Fashion United. Of this number, approximately 414,000 are employed in the retail sale of clothing whilst 43,000 (roughly 8%) work in the wholesale of clothing and footwear.

Major players in the fashion retail sector

The top fashion companies in the UK based on market capitalisation are as follows:

- **Burberry** - \$10bn
- **Next** - \$7.16bn
- **Marks & Spencer** - \$6.18bn
- **ASOS** - \$6.16bn

([source](#))

Fashion retailer's COVID-19 response

Fast forward to the pandemic, we can see that the fashion industry has plenty of room for growth with opportunities to innovate. A report from The Business of Fashion and consultants McKinsey have stated that they expect fashion sales to drop by 30% in 2020, with the luxury sector being hit the hardest with sales down by 40%. This is in contrast to statistics from ONS that have seen a 1.3% year-on-year increase in the quantity of clothing, footwear and textiles purchased between February 2019 and February 2020.

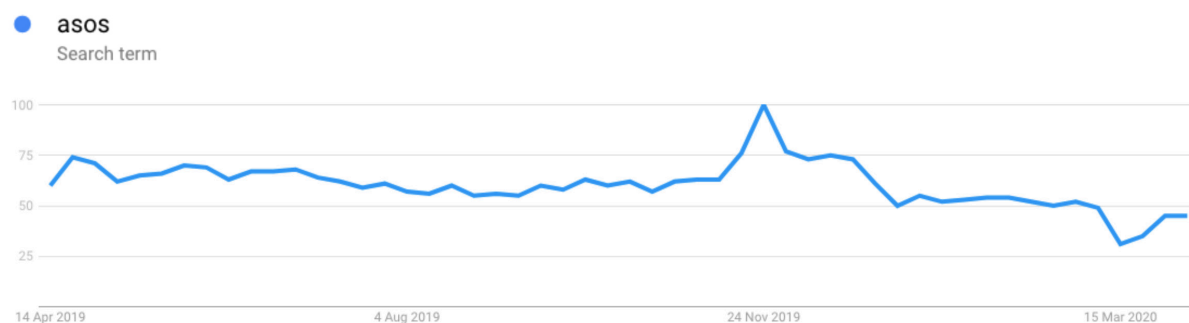
The marginal growth of clothing, footwear and textile sales during the lockdown can be attributed to consumers adapting to their changed lifestyles. Consumers that might normally have to adhere to smart dress codes are now embracing the loungewear trend whilst working from home or staying indoors. This aligns with the data from [ONS that states that](#) department stores saw a -3.6% year-on-year decrease in sales, as consumers will typically associate department stores with high-quality formal clothing for work or special occasions such as weddings.

The reduction in consumer spend can be seen worldwide. Nosto, the ecommerce platform, reported sales to have fallen by 30% year-on-year in March across 271 apparel and accessories ecommerce stores from the UK, US, Germany, France and Sweden. Essential Retail commented on Nosto's report, stating that there had been a noticeable year-on-year decrease in visits, numbers of orders and total sales across all countries from 7th March and that the worst performing day was 20th March.

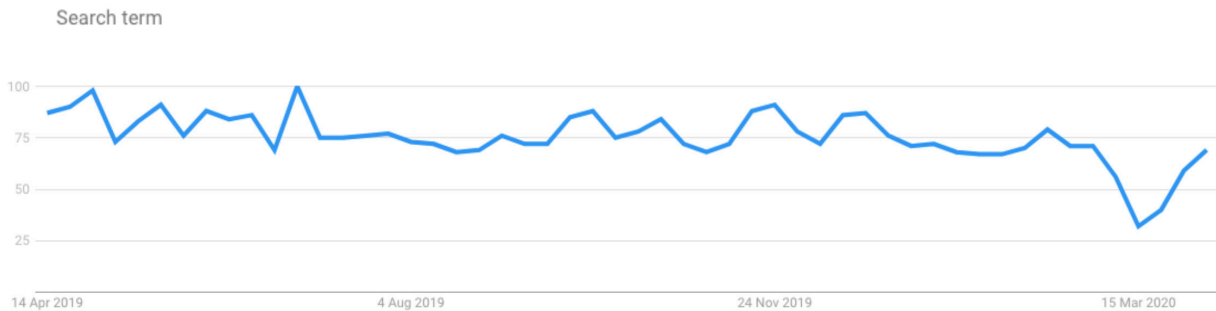
Looking at retail industry demand: consumer behaviour

Search trends

We can see that the search demand for fashion has also seen a drop. Google Trends data has shown searches for "asos" and "womens clothes" to take a significant hit during March 2020 and recover to just below their previous volume.



womens clothes



Whilst we can see that search trends in consumer behaviour have dropped for prolific fashion queries, it is important to take this with a pinch of salt. For fashion retailers that have substantial brand awareness such as ASOS, most internet browsers will automatically direct users to their ecommerce site if they were to type a fashion brand's name in their search bar.

Similarly, it is important to note the stark increase in consumers searching for fashion trends that capitalise on staying at home. In the below example, we can see that searches for "loungewear" have significantly increased since March 2020. Fashion retailers with specific categories for loungewear and casual clothing such as tracksuits will benefit from this increased search demand by being at the forefront of search engine results.

It is important to take into account the effect of the pandemic on the entire fashion supply chain. According to the Office of National Statistics who gathered comments from fashion retailers for anecdotal evidence of the impact of COVID-19, they saw that retailers were impacted by products arriving from China

When we consider the reliance of many retailers' supply chains, this could also be attributed to the fashion industry's reaction to the pandemic.

loungewear



Major players in the fashion retail sector

Ahead of the announcement from the government shutting down all 'non-essential' stores, John Lewis [announced](#) that they would be temporarily closing their stores for the first time in 155 years of trading.

Primark announced they would close all 189 of their UK stores until further notice. They also cancelled all future orders with suppliers. The retailer [claimed](#) they will be losing around 650 million pounds per month in net sales from the closure of its UK stores which is 41% of their annual revenue.

What fashion retailers are saying about COVID-19

According to [ONS](#), 12 textile, clothing and footwear store retailers commented that COVID-19 was having an adverse effect on their business, whereas 18 retailers commented that the weather was also adversely impacting their businesses during the same period, suggesting the impact of COVID-19 had not entirely reached fashion retailers in February.

Government advice and support for fashion retailers

The Government [announced](#) the immediate closure of all 'non-essential' stores for 3 weeks, [which is now set to continue](#) indefinitely until the government announces updates. This forced closure includes all clothing and fashion outlets, as these are deemed non-essential. This caused thousands of workers within this industry to be out of work, however Chancellor Rishi Sunak [announced](#) that the government would pay up to 80% of employees wages up to £2500 a month.

Action from fashion retailers on COVID-19

The fashion industry is doing their bit to fight the virus, with many brands clubbing together to support medical workers with protective equipment that is sorely needed. LVMH and Kering both announced that they are donating millions of masks to help medical professionals on the front line. Additionally, Inditex and H&M are working to convert parts of their supply chains to manufacture medical protective gear. Allbirds, sustainable footwear brand, has offered all NHS workers in the frontline a pair of shoes for working. ([source](#)).

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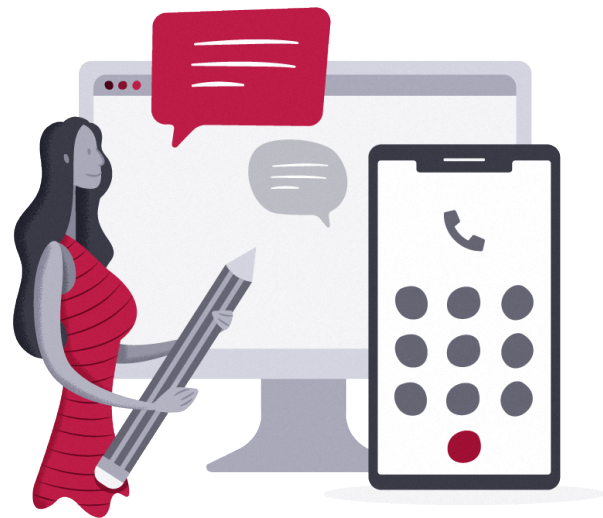
Conclusion

It's no surprise that the retail sector within the UK has changed rapidly since the start of March 2020 and will likely continue to do so for the remainder of the year. What is notable about this crisis period is that all of the industries within retail have been affected in one way or another, whether this be in increased or decreased demand for products or services, or some form of supply chain disruption.

However, the approaches that the various different retailers are taking to combat changes vary hugely, with ecommerce stores increasing budgets and support, staff being furloughed as well as huge discounts for consumers, as well as free samples and offers online.

One thing that remains consistent about the approaches however is the importance of consistent communication. Retailers are having to communicate more than ever before with both customers and staff, and this will continue to be a critical medium as the industry faces more changes moving forward.

Retailers can no longer rely purely on traditional methods of communication, as lifestyle changes have been enforced across the board. The ones which will survive will be those that learn to adapt, embracing new forms of technology in the current landscape, looking towards more effective and fast ways of communicating their messages effectively.





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