

Shopping in a coronavirus world: How retail is evolving

An analysis of how UK consumer purchasing behaviour and the retail industry are adapting during lockdown.



The UK's lockdown to curb the spread of coronavirus began on 23 March, 2020. It turned the country largely into a nation of home-workers - apart from staff in key areas such as health, social care, teaching, retail, manufacturing and logistics, who are still working on the front line.

With the general population now in confinement and the nation's high streets largely closed for business, shopping is evolving in unprecedented ways.

Essential stores that are still open are dealing with the challenges of keeping supply chains fully operational and shelves fully stocked, while staff and customers are social distancing.

Some high street chains have gone into administration, while others have furloughed staff and are reviewing their business models entirely.

Online retailers are facing either a surge or a drop-off in demand, with the products in highest demand changing from one day to the next. A huge challenge for the industry has been keeping online warehousing and delivery operations running effectively in the face of unexpected demand and maintaining safety for workers.

Sales figures from the British Retail Consortium (BRC) show that March 2020 was a retail rollercoaster - two weeks of stockpiling followed by a 27% sales slump. Overall, March sales were down 4.3% year-on-year: the biggest fall ever recorded by the BRC's sales tracker.

Shoppers' loyalties have been shifting - one industry insider told Finder that brand loyalty has gone "out the window".

In this paper, we've published new Finder research and set out all the key coronavirus shopping trends, examining customer behaviour, sales performance, retailer responses and what this could mean for the future of UK shopping.

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As the coronavirus outbreak took hold in the UK in March 2020, many shoppers responded by stockpiling essential goods and groceries.

Finder surveyed 2,000 Brits in the week after lockdown was imposed on 23 March, and discovered that 60% of those polled admitted to stockpiling items, spending an average of £57.09 each. Londoners forked out more than those in any other region, spending an average of £104.95.

Hand sanitiser was the most scarce item, with almost two in five Brits unable to get any. Tinned goods were the most frequently bought items, with three fifths of stockpilers purchasing them. Full results are in our graphics, below.

Extrapolating Finder's results to the wider British public, 31.2 million panic-buying shoppers potentially spent an extra £1.8 billion in total as the pandemic unfolded.

The move to higher-volume grocery trips is a trend that has continued into lockdown, with Tesco, the nation's largest supermarket chain, confirming that the number of customer transactions in April nearly halved, but the size of the average shopping basket doubled.

Overall, in March, the period of panic-buying was followed by a huge sales decrease, and a huge loss of consumer confidence.

Most commonly stockpiled items

- Tinned food (59%)
- Toilet paper (56%)
- Crisps (52%)
- Dry food, such as pasta (49%)
- Cleaning supplies (45%)



Most commonly sold-out items

- Hand sanitiser (38%)
- Dry food, such as pasta (26%)
- Medicine (23%)
- Toilet paper (22%)
- Cleaning supplies (21%)



Source: Finder survey, March 2020

The overall surge in buying at the start of March came to a halt in lockdown. The BRC, which monitors figures from both bricks-and-mortar and online stores, has revealed that total retail sales in the UK were down by 4.3% year-on-year in the monthly reporting period from 1 March to 4 April 2020.

This is the biggest fall in sales ever recorded by the BRC retail tracker since it began in 1995, and only the last two weeks of the period were in the lockdown zone. That final fortnight saw a 27% year-on-year decline in sales, compared to a 12% increase in the first three weeks of March, which were during the stockpiling period.

With the nation's high streets, shopping centres and retail parks all closed, shopper footfall during the four-day Easter weekend in April 2020 was 83% lower than over the Easter bank holiday in April 2019, according to retail analytics firm Springboard. As shoppers were forced to stay indoors, research by Finder estimates that Easter spending figures this year could be down by £198 million on last year's total of £1.1 billion (the official figures are expected at the end of May 2020). A further study by Finder estimated that Brits are saving £4.6 billion every week in lockdown by working from home and not spending on socialising.

High street fast-fashion giant Primark has already had to furlough 68,000 employees across Europe in response to closing all of its stores. As the high-volume retailer does not sell online, the company said in April that its sales had dropped from £650 million per month to zero.

The coronavirus pandemic has already proved to be too much of a trading shock for some UK retailers. Businesses that have gone into administration since lockdown include Laura Ashley, Debenhams, Oasis, Warehouse and Cath Kidston. Some of these retailers are still managing to trade online while new owners or investors are being sought, while others have confirmed that their stores have shut for good.

Brits save £4.6bn a week in lockdown by working from home and not socialising



People confined at home - many of them working there while their children are home-schooling - are spending far more than usual in some categories, and far less in others.

Outside of grocery shopping, most buying is happening online and the latest statistics from internet retailing body IMRG have revealed the winners and losers in popular shopping categories.

In March 2020, internet shopping sales in the UK fell 5% year-on-year. Online clothing sales were down 23% overall, with menswear plummeting by 43% and footwear seeing a drop of 33%.

At the other end of the spectrum, warmer weather in March and an increased amount of time spent in the garden by families saw internet sales of gardening-related goods soar by 94%. Online sales of beauty products also increased by 36%, while the electricals category - helped by the increase in home working and demand for entertainment technology - surged by 40%.

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There's a hugely lopsided spread of demand. Some categories are booming...but demand for clothing...fell into negative territory.

*Andy Mulcahy, strategy and insight
director, IMRG*

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“There's a hugely lopsided spread of demand,” says Andy Mulcahy, strategy and insight director at IMRG. “Some categories are booming, such as health, beauty, garden, home, electricals and grocery, with some well established retailers seeing triple-digit growth online. But demand for clothing and footwear, for example, fell deep into negative territory.”

The latest month-on-month figures released by the Office for National Statistics (ONS) revealed that the amount spent in non-food stores dropped by 8 percentage points during March, as shoppers began to curtail their spending on non-essential items. However, the amount spent in food stores grew by almost 4 percentage points compared with the previous month.

Separate data released by Barclaycard - which accounts for nearly half of the nation's credit and debit card transactions - showed that travel expenditure (including public transport) declined by 41% year-on-year in March, while fuel spending dropped by 4% as roads also became quieter. But more time spent at home led to a rise in digital content and subscription spend of 17%, as people entertained themselves by playing digital games, watching box sets and accessing streaming services.

The closure of pubs and restaurants has also benefited online retailers such as wine seller Laithwaite's. The firm has revealed a 300% year-on-year-rise in new customers for the months of March and April, with prosecco sales alone up 117%. And the company cites the "Zoom Factor" as playing a role in this.

"We believe that wine's role is to keep people together. People are on Zoom having a glass with friends," Andrew Stead of Laithwaite's told the BBC. "People are avoiding supermarkets and we're still delivering within two to three days."

The Zoom Factor is also affecting clothing sales. While IMRG's figures showed a significant drop in online clothing sales overall, retailer boohoo has seen an uplift in certain fashion categories. "In terms of trends, tops and joggers have proved popular since lockdown," boohoo confirmed, adding that people were buying smart tops to look good in video meetings with colleagues.

Google Trends data reveals spikes in search interest for (predictably) face masks (1,300% increase from the start of January to end of April) but also for "bike" (interest rose 160% since January) and "gym equipment" (more than 200% increase).

AWIN, an affiliate network, has released figures for the UK retail categories driving online sales for its partners during the month of March, compared to February. These show a major uplift in food and drink (up 235%) and entertainment (which climbed 108%), with pet care, gift and DIY purchases also on the rise. Our table shows the full list of category increases.

Biggest growth categories for online retail sales: AWIN partners

Food and Drink	+ 235%
Entertainment	+ 108%
Family	+ 104%
Pets and pet care	+ 102%
Gifts	+ 70%
Group buying	+ 60%
DIY	+ 55%
Home and garden	+ 50%
Sportswear and fitness	+ 40%
Office supplies	+ 36%
Health and beauty	+ 31%
Electronics	+ 27%

Source: AWIN

With empty shelves and lengthy queues becoming an issue at some major supermarkets, many UK consumers turned to local stores to source their food and other goods.

Research conducted by Finder in April found that 41% of Brits have been shopping in their local greengrocers, butchers and corner shops more often than usual during lockdown.

Of 2,000 shoppers polled, 36% said they will continue to use their neighbourhood stores more frequently after lockdown ends, compared to 19% who will use them less.

The two main reasons given for the shift to shopping locally in lockdown were to dodge the entrance queues and to avoid crowds at supermarkets. The third most common reason was to support local businesses during the current financial squeeze, showing community spirit among UK consumers that looks set to continue, for many, after the pandemic.

Generation X shoppers (born from 1965 to 1980) are increasing their visits to local stores the most, with 45% using them more. They are also the age group most likely to continue to go to their neighbourhood shops more frequently after lockdown, at 43%. Only a quarter (26%) of the silent generation were inclined to use their local stores more during the coronavirus pandemic, but this could be because almost a quarter of this generation (23%) are unable to leave their home. After lockdown ends, 30% of this generation plan to use their local stores more.

Finder's results are echoed by figures from digital banking brand Revolut. Spending data for 3 million Revolut banking app users in March reveals a surge in sales at local convenience stores. Revolut says that local shopping chains Nisa, McColls and Costcutter "each saw an increase in the number of transactions larger than any of the UK's major supermarkets". The greatest uplift was at Nisa, where the value of sales grew by 52%. However, the number of transactions was only up by 15%, reflecting an increase in the amount customers are prepared to spend each time they shop locally.

Reasons UK shoppers are using their local stores more



Source: Finder research, April 2020

Physical stores that are still open to the public are now encouraging shoppers to pay using a contactless card rather than with cash or a chip and PIN card, to minimise touch points at checkouts. To support this strategy, retailers, banks and card schemes have worked together with regulators to rapidly bring forward a planned increase in the UK's contactless payment limit, upping it from £30 to £45 on 1 April.

Paul Rodgers, chairman of payments association Vendorcom, explains: "Merchants, payments providers and standards bodies came together to make this happen within a matter of days. By contrast, the previous limit increase to £30 took nine months to implement."

Another problem being addressed by the industry is how volunteer shoppers are able to pay for the goods they are buying on behalf of vulnerable people who are self-isolating.

Supermarket chains Asda, Sainsbury's, Marks & Spencer and Waitrose are among those to have introduced types of e-gift card to help tackle this. Vulnerable customers can purchase the vouchers online and select how much they would like to spend on their weekly shop. The e-gift card is then emailed directly to the person shopping on their behalf and can be redeemed at checkout in-store.

Digital bank Starling has also introduced its "connected card" - a second payment card linked to an existing Starling account, which the bank's customers can give to trusted friends to pay for their shopping. These cards can only be used in stores and not online, are protected by a PIN and come with a balance limit of £200.

An increase in shoppers on a tight budget appears to be fuelling the rise of "buy now pay later" (BNPL) schemes such as Klarna and Clearpay. Recent research from payment processor Worldpay suggests BNPL is now the fastest growing online payment method in the UK, increasing by 39% annually. Market leader Klarna already has 7 million UK customers, offering a service where shoppers pay for their order 30 days later or split the cost of their items into three equal instalments.

Retailers have been forced to react quickly to the coronavirus world, adapting daily operations and overarching business models at an unprecedented pace. Those who are still able to run either in-store or online operations are facing the difficulties of keeping staff as well as customers safe, trying to maintain social distancing policies in busy aisles or warehouse spaces, as well as carry out regular deep cleans of sites and facilities.

Queues

Queuing outside shop entrances, distancing markers in stores, perspex barriers at tills and item purchasing limits are now commonplace. Many supermarkets have also been reserving selected opening hours for NHS staff and vulnerable shoppers, to help them avoid crowded aisles and tills.

In a bid to further support social distancing measures for its customers, Asda has extended its Scan & Go Mobile shopping service to all of its 581 stores.

Deliveries

As well as the challenge of maintaining supply chains and keeping shelves fully stocked in physical stores, many supermarkets are upping their online ordering and delivery capabilities, and working with the government to identify and prioritise customers falling into “at risk” groups.

Tesco, the UK’s biggest supermarket chain, added 400,000 delivery slots over the space of six weeks, taking its total number of weekly slots past one million for the first time by the end of April. It plans to add a further 200,000 delivery slots, but has also taken the decision to limit the number of items per online order to 80.

Fellow grocer Morrisons has partnered with food delivery service Deliveroo to offer customers living close to 130 of its stores a 30-minute delivery service from a range of 70 basic items. Discounter Aldi has also ventured into home deliveries for the first time, albeit limited to a one-off food parcel for vulnerable customers, costing £24.99 for a box of 22 essential and long-life products.

Boosting confidence in online

Meanwhile, multi-channel retailers such as clothing brands have now been forced to shift their focus to their online channel, ensuring that their e-commerce platforms and delivery operations can cope with heightened demand.

Some fashion retailers have also decided to amend their refund policies, so customers are not discouraged from purchasing online goods that they cannot currently return to stores. For the first time, New Look and Marks & Spencer have increased their returns period for online orders to 90 days, including free return delivery of unwanted items.

While this provides extra flexibility for shoppers in these uncertain times, this could create unrealistic expectations for the future, warns Jacey Bunker, retail business director at marketing agency BWP. “Customers will begin to expect some of the extraordinary enhancements to the online shopping journey as standard, and brands will struggle to revert to their original business models, which could have an impact on the bottom line,” she says.

In response to a huge uptick in orders globally, internet juggernaut Amazon has increased employees’ hourly wages by £2 in the UK, €2 in Europe and \$2 in the US - where it has also hired an extra 100,000 warehouse and delivery workers to meet demand.

Amazon and its online marketplace counterpart eBay, also say they are cracking down on “price gouging” practices, where some internet sellers look to profiteer from the coronavirus crisis by listing basic items at vastly inflated prices. Amazon has confirmed that it has suspended more than 6,000 selling accounts globally for violating its fair-pricing policies.

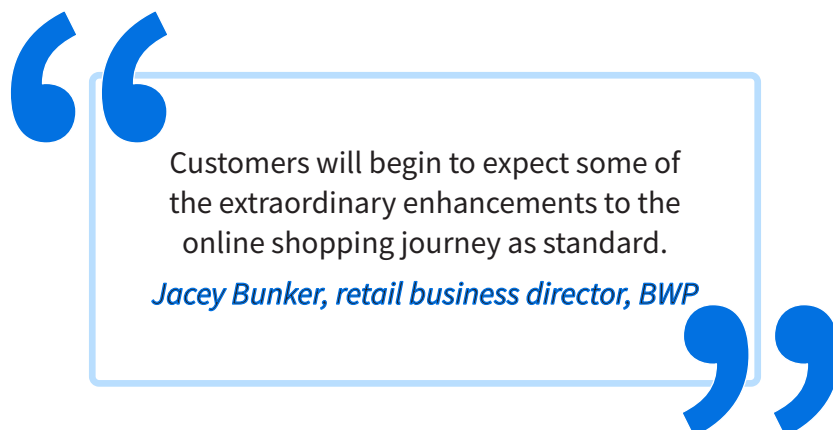
Supply chains

Supermarkets have been working around the clock to replenish supplies. But while the scarcity of pasta and toilet paper has been well documented, shoppers are also seeing “sold out” signs on big-ticket items they would normally be able to get easily, such as home gym equipment and garden furniture.

For online retailers - seeing unusually high demand in categories such as electricals and outdoor equipment - keeping on top of supply chains while manufacturing and imports are also affected has been a challenge.

The Chartered Institute of Procurement & Supply (CIPS) has advised businesses to analyse their supply chains to identify any high-risk areas. It has pointed out that highly automated warehouses may be more resilient than those relying on manual operations.

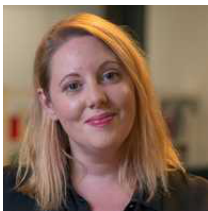
Making sure that manufacturers survive these turbulent times and that lines of supply are maintained for the future is critical for the retail industry. Waitrose has taken the step of taking on additional stock to help its small suppliers and has committed to paying its most vulnerable suppliers within seven days.





Kyle Monk, head of insight and analytics at the British Retail Consortium:

“Coronavirus continues to pose an unparalleled challenge to retailers, as evidenced by our latest data on retail sales, which saw a record decline in March. As restrictions are eased, we will likely see a phased reopening of stores, with retailers taking added precautions to protect staff and customers. Though with many people trying internet shopping for the first time, particularly among more vulnerable groups, it is quite likely that a proportion of these shoppers will not revert back to in-store for some time, if at all. The effects of this crisis, especially on consumer demand, will be felt for a long time yet.”



Jacey Bunker, retail business director at marketing agency BWP:

“We’re sure to see a continued increase in online shopping as before the pandemic, especially with the likelihood that some level of social distancing will need to be in play in physical stores until a vaccine is found. But once the lockdown is lifted, there is a huge opportunity to capitalise on the inevitable exodus of people leaving their homes in search of rich experiences. For high street brands, this might mean creating special events, providing expertise or added value for customers, and rewarding people for shopping in-store.”



Andy Mulcahy, strategy and insight director at internet retailers’ association IMRG:

“Before lockdown, online customers tended to have increasingly high expectations around speed and quality of the delivery experience, but they are much more understanding of delays at the moment. Will that lead to a change in expectation, or revert once this clears? There is also a chance that we see a kind of high street revival, as people come out of isolation and feel very protective over their local area, not wanting it to become derelict.”



Sarah Assous, CMO at retail technology platform Zoovu:

“Consumers are throwing brand loyalty out the window, with 69% of them purchasing different brands if their preferred one is not in stock. While it is largely due to product availability, this current lack of brand loyalty can help smaller brands or retailers make a positive impression on consumers and become a trusted brand of choice in the long term.”

Conclusion

The retail world post-pandemic will look very different from its previous incarnation. Brands that have taken the opportunity to innovate in their supply chains, digital offering, refund policies and payment methods will undoubtedly emerge ahead.

But there’s another trend that’s been largely overlooked. Local, independent shops appear to be experiencing a boom in both demand and support during the lockdown, and that will play a vital role in keeping local economies alive. This period has been an opportunity for local shops to remind the community of the value and convenience they bring, and it seems this is being reciprocated by the high number of shoppers who want to support local business. The acid test of this, though, will be when life eventually returns to normal and the supermarket queues subside.

About Finder

Finder is a personal finance website which helps consumers compare products online so they can make better-informed decisions. Consumers can visit the website to compare utilities, mortgages, credit cards, insurance products, shopping voucher codes, and so much more before choosing the option that best suits their needs.

finder.com/uk launched in the UK in February 2017 and is privately owned and self-funded by two Australian entrepreneurs – Fred Schebesta and Frank Restuccia – who successfully grew finder.com.au to be Australia's most visited personal finance website (Source: Experian Hitwise).

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