



RETAIL

AND THE IMPACT OF COVID-19

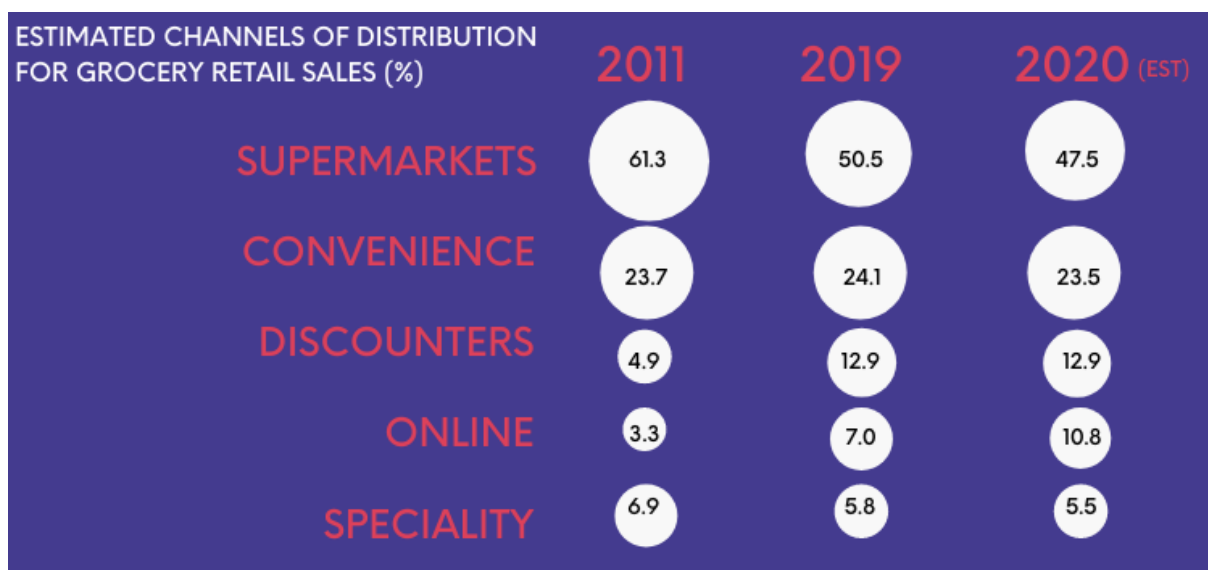
The grocery retail sector has its work cut out at the minute. Never mind keeping the shelves stocked through the seemingly never-ending challenges of Covid & Brexit, there is also the important matter of looking after the safety of its workforce, whilst providing a safe space for its customers. Yet despite its challenges, 2020 is expected to have been a record year for Grocery Retail. In this article we take a look at the impact of COVID-19 on the sector.

Grocery Retail sales which are anticipated to reach £195.9 billion (+7.6%)* are a reflection of increased in-home food and drink consumption caused by the closure of out-of-home venues in 2020.

This exceptional year of sales will be a tough one to follow for grocery retailers in 2021 – it is expected that overall sales in the grocery sector will fall by 3.1% this year. Household finances are likely to be hit hard – whilst this brings obvious opportunity for value players and own-brand for retailers, the polarised nature of the COVID-19 recession may also bring opportunities for premium brands that can meet different consumer needs.

UNDER-LYING TRENDS HAVE BEEN ACCELERATED...

The Discounters & Online sectors have been chipping away at Supermarkets for the last 10 years, but in 2020, it was Online that really triumphed. The increase in Online sales is worth an additional £7.8 billion in sales to the channel, as concerns around visiting stores, more localised shopping and the hit to non-food demand will have served to depress supermarket sales.



Source: Office for National Statistics/company reports and accounts/Mintel

Mintel expect for the first time that share of spending accounted for by Supermarkets will fall below 50% (47.5%) in 2020. Rather than slowing as lockdown eased, online sales remained heightened throughout 2020. Although this may naturally scale back a little in 2021 as (hopefully) the peak of the pandemic passes, leading retailers are investing in online for the longer term, meaning COVID-19 will lead to a legacy boost for the online channel.

...AND HEIGHTENED BY COVID-19

Whilst COVID-19 has dramatically shifted many behaviours and views in the short term, the key underlying trends within the market remain. The drive for a more sustainable and ethical grocery sector remains a key concern for grocery shoppers, and retailers are responding. From refill stations to vegan butchers counters, and the pledge that no loose goods will cost more than packaged, in the

longer term we may see a breakdown of the barrier that ethical and environmentally-first purchasing should carry a higher price tag.

CONSUMER | BIG SHOP VS TOP UP SHOP

The greater in-home food and drink demand caused by lockdown has further driven the return to 'big-basket' shops which had started to re-emerge in 2019. The number shopping on a 'main shop-only' has increased by 7% points since 2017. Brands that can help shoppers to plan ahead with their meal planning, offer larger pack sizes or resealable packaging, may stand to benefit from this trend.



Base: internet users aged 16+ who are responsible for grocery shopping : 1,842 in September 2017 and 1,822 in August 2020
Source: Lightspeed/Mintel

CONSUMERS ARE SHOPPING LESS FREQUENTLY

Greater in-home food and drink demand is just one part of the equation driving bigger baskets. Whilst overall the number of weekly grocery shoppers was in-line with levels seen in 2018, we have seen a significant increase in the number shopping once a week.



Base: internet users aged 16+ who are responsible for grocery shopping, 1,822 in August 2018 and 1,822 in August 2020
Source: Lightspeed/Mintel

GOODWILL TOWARDS RETAILERS IS HIGH

The efforts of the grocery sector to keep supply flowing during the pandemic have not been lost on shoppers, with 77% of grocery shoppers saying that the COVID-19 outbreak has given them more appreciation of the importance of grocery retailers. Even higher on the agenda, shoppers are keen to cut back on waste & to see support for local producers, particularly in light of the uncertain economic environment in the UK. More support for British producers is key, but so is doing more to support local communities. By better engaging at a local level, retailers will show that they not only support during times of crisis but are an integral part of the community.



Base: 1,822 internet users aged 16+ who are responsible for grocery shopping Source: Lightspeed/Mintel

*Source: Office for National Statistics/company reports and accounts/Mintel

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