

Impact of Coronavirus on the Consumer Sector

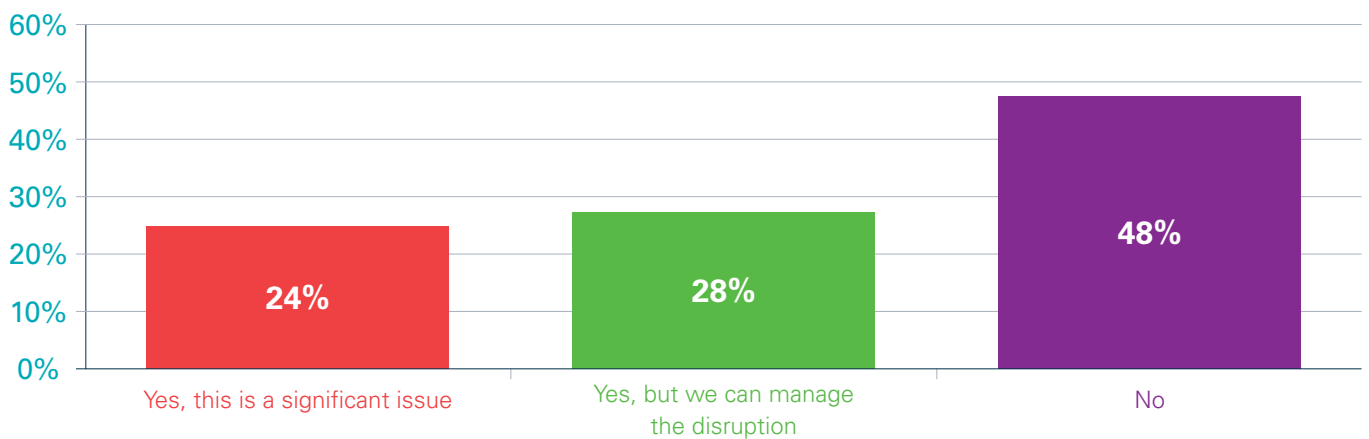
More Than Half of Retailers Battle Supply Chain Disruption as One in 10 Consumers Stockpile

Our latest research, conducted in partnership with consultancy Retail Economics, shows that more than half of retailers surveyed have already experienced supply chain issues as a result of the coronavirus.

Significant Supply Chain Impact

Almost a quarter (24%) of retailers surveyed – including food, fashion, and health and beauty businesses – say that supply chain disruption is having a significant impact on their business. Yet only 7% of them have flexible enough supply chains to be able to switch suppliers.

Have you experienced any delays in your supply chains as a result of the coronavirus?



If the virus persists, around a quarter (24%) of the retailers asked believe it could lead to a permanent change in their business, including switching suppliers, investing more into online operations, reviewing contracts and risk mitigation.

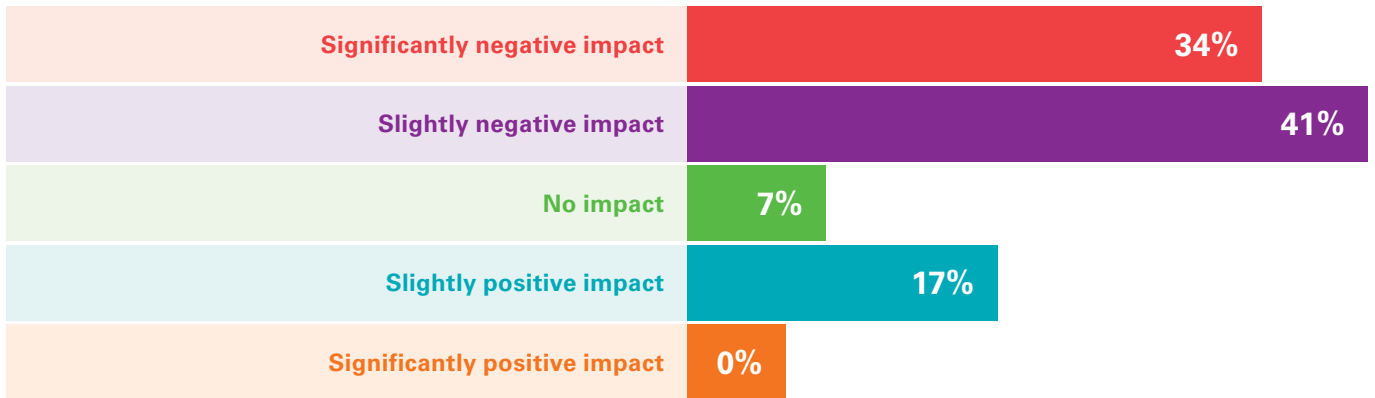
What do you think is the biggest threat to your business if the coronavirus persists? (Top three issues)



Retailer Sales Hit

Above supply issues, retailers are most concerned about the damage the virus could have on consumer confidence. Almost half (45%) of retailers surveyed have seen a negative impact on sales already, while three-quarters (75%) of them expect a negative impact on sales if the virus persists.

If the coronavirus persists, what impact do you think this will have on your sales?



A separate survey among UK households revealed that more than a third (39%) of consumers are worried about product shortages as a result of the coronavirus, which has led almost one in 10 consumers (9%) to stockpile.

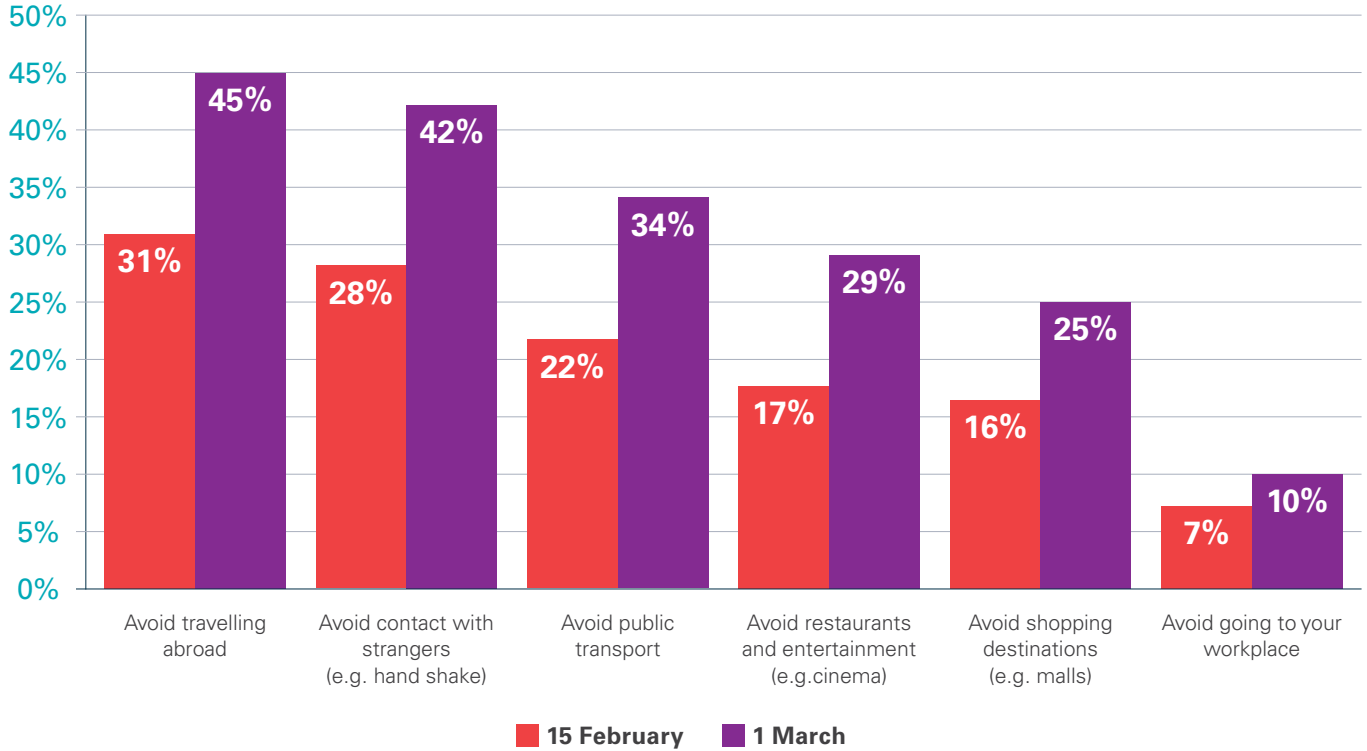
Compared to a fortnight ago – when Retail Economics previously carried out its coronavirus consumer survey – there is less confusion and more anxiety around the virus. More than a third (36%) now consider the virus a high threat, up from less than a quarter (23%) previously.



More Sacrifice Holidays

There is now a greater willingness to sacrifice holiday plans. More than a quarter (28%) of people are currently avoiding travel abroad, which could rise to nearly half (45%) of consumers if the virus persists. Given that UK households spend around £2,200 on holidays abroad per year (according to the Office for National Statistics [ONS]), this could put £25 billion at risk of not being spent on travel overseas.

Which of the following actions, if any, would you consider in the future to protect yourself from the coronavirus if it persists?



Beyond avoiding travel overseas, 15% are currently avoiding public transport, 23% are avoiding contact with other people, and around one in 10 (9%) are avoiding restaurants and entertainment destinations such as cinemas.

If the virus persists, a third (34%) of consumers would consider avoiding public travel, while 29% would avoid restaurants and entertainment destinations, and a quarter (25%) would avoid shopping destinations.

Resultantly, online retail could benefit. Half (49%) of shoppers would consider buying more online to avoid physical shops if the virus persists – although, one in two would try to avoid buying online from international sellers that ship products directly from China.



Four-fifths Have Not Received Guidance Over Sick Pay

With the UK government claiming that up to a fifth of the workforce may be off sick during the peak of a coronavirus epidemic, it is troubling that 86% of consumers claim they have not received guidance over sick pay. Almost half (48%) of consumers said their employer has not sent any advice around what to do in the event of staff being suspected of carrying the virus. However, our retailer survey suggests that the sector has been much more proactive with guidance for their workforce. Indeed, 93% of retailers have produced guidance for their employees regarding the virus.

Has your business communicated whether you would receive sick pay or be paid if you are asked to self-isolate through coronavirus?

March



Matthew Lewis, head of Retail at Squire Patton Boggs, says:

“Maintaining an effective supply chain and an operational workforce is critical to retail and to the long-term health of the sector and the wider economy. The most staggering result shows that just under 45% of retailers and those operating in the supply chain do not have the option to switch suppliers to mitigate against the impact of the coronavirus. This raises serious concerns about business continuity. It is not too late, and retailers should look at their supplier contracts.

“While it is comforting to see that more than 90% have produced guidance for their staff, this message may not be getting through to employees, as almost half of consumers indicated that their employer had not sent advice regarding what to do in the event of employees being suspected of carrying the coronavirus.

“Employers will know they have a duty to ensure the health and safety of their employees and members of the public. They should be taking action to ensure they can maintain operations while, at the same time, protecting those who are potentially at risk. The situation is rapidly changing, and retailers and those operating within the supply chain should ensure they stay up to date with the latest guidance and advice from public health agencies.”

Richard Lim, CEO at Retail Economics, says:

“Retailers are battling against significant disruption to supply chains, as the coronavirus has choked off production in China. While the impacts may not yet be apparent on shop shelves, around a third of retailers suggested that ‘continuity of supply’ is currently their biggest concern.

“Of even greater concern for other retailers is the impact on consumer confidence and the effect this will have on their behaviour.

“The proportion of consumers currently avoiding international travel, using public transport and going to shopping destinations has risen sharply over the last two weeks. Almost half of consumers say they will avoid international travel if the virus persists, while a third will avoid public transport and a quarter will avoid retail destinations.

“What is more, consumers are also increasingly nervous about access to essential items, with one in 10 shoppers confessing to stockpiling goods.”

Notes to Editors

Research Methodology

Coronavirus surveys were conducted between 13 February 2020 and 15 February 2020, and between 28 February 2020 and 1 March 2020. Answers are from a sample of more than 2,000 nationally representative households.

Holiday spending data is calculated using ONS household spending data, which is believed to be conservative compared to estimates from other third-party research.

About Squire Patton Boggs

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About Retail Economics

Retail Economics is an independent economics research consultancy focusing exclusively on the UK retail and consumer industry. Our subscription service empowers you with a deeper understanding of the key economic drivers supporting the UK retail industry, providing a competitive edge needed to make critical business and investment decisions.