



BRIEFING PAPER

Number SN06186, 25 May 2021

Retail sector in the UK

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Summary

The retail sector is going through a prolonged period of upheaval. Factors such as changing consumer behaviour, increased internet shopping and challenging economic conditions are changing the way retailers operate and engage with their customers. The coronavirus pandemic has added to these challenges accelerating trends such as increased online shopping and adding economic challenges through lockdown restrictions.

This briefing paper describes the current state of the retail sector in the UK using data and recent reports on the industry. Sometimes due to data availability, data refers to Great Britain only. This briefing covers the retail sector only (not the wholesale sector) and does not provide information on government policy in the retail sector.

Key figures

- Retail sector economic output was £97.0 billion in 2020, 5.2% of the UK's total economic output and a 2.5% fall on 2019.
- There were 3.0 million jobs in the retail sector in 2019.
- There were 310,000 retail businesses as of 1 January 2020

In 2020, retail sales in the Great Britain were worth £437 billion, down 0.6% on 2019. For every pound spent in 2020:

- 41 pence was spent in food shops – a 7% rise on 2019
- 9 pence was spent in clothing shops (including textiles and footwear) – a 25% fall on 2019
- 8 pence was spent on automotive fuel – a 25% fall on 2019
- 8 pence was spent in household goods shops (including electronics and furniture stores) – a 1% rise on 2019

Impact of the pandemic on retail sales

At the onset of the Covid-19 pandemic in March 2020, retail sales fell dramatically as lockdown restrictions closed non-essential retail stores. Retail sales as a whole recovered to pre-pandemic levels by June 2020 before falling slightly again as non-essential retail closed over the winter. Sales recovered strongly in April 2021 with the reopening of non-essential retail.

Different types of retail stores have had very different experiences during the pandemic, with sales in clothing stores and fuel seeing the most significant falls during 2020.

Internet sales

Internet sales have been rising since 2008 (when ONS data began) reaching around 20% of all retail sales in Great Britain in 2019. Online sales rose sharply at the onset of the pandemic as physical stores were closed and have remained over 28% of all sales since.

Store closures

In 2020, 54 retail companies with multiple stores ceased trading, affecting 5,214 stores and 109,407 jobs according to the Centre for Retail Research (note that this should not be interpreted to mean that this many jobs have been lost). This is the highest number of store closures since 2008 and 2009 following the financial crisis.

4 Retail sector in the UK

The Local Data Company found that 15% of retail premises in Great Britain were vacant in the second half of 2020, up from 13% in the second half of 2019. This was the biggest rise in store vacancies since 2013.

1. The retail sector in the UK: definition and statistics

1.1 Definition of the retail sector

The retail sector includes any business or individual involved with selling products directly to consumers. The retail sector includes shops, department stores, supermarkets, market stalls, door-to-door sales people and internet retailers.

Related sectors include the wholesale sector (which supplies retailers), the logistics sector (which connects wholesalers and producers with retailers), and the manufacturing sector (which produces the products sold by retailers). This briefing paper focuses on the retail sector only.¹

Retail stores are an important part of high streets and town centres. However, it is important to note that the retail industry is broader than just sales on the high street. The statistics in this briefing represent the whole retail sector including in shopping centres, retail parks and online sales.

For further discussion about high streets, see our briefing: [Town centre regeneration](#) (21 May 2021).

1.2 Economic contribution of the retail sector

Summary:

- Retail sector economic output was £97.0 billion in 2020, 5.0% of the UK's total economic output and a 2.5% fall on 2019.²
- There were 3.0 million jobs in the retail sector in 2019.³
- There were 310,000 retail businesses as of 1 January 2020.⁴

Economic output

The economic output of the retail sector in 2020 was £97.0 billion, which was 5.2% of the UK's total economic output.⁵

Retail sector economic output fell by 2.5% in 2020 compared to 2019 following the impact of the coronavirus pandemic.

The economic output of the sector returned to pre-pandemic levels by the end of 2020. Output fell again in the first quarter (Q1) of 2021 to

¹ The retail sector is defined as [Standard Industrial Classification \(SIC\) code 47](#): businesses engaged in the sale without transformation of new and used goods mainly to the general public for personal or household consumption or utilisation.

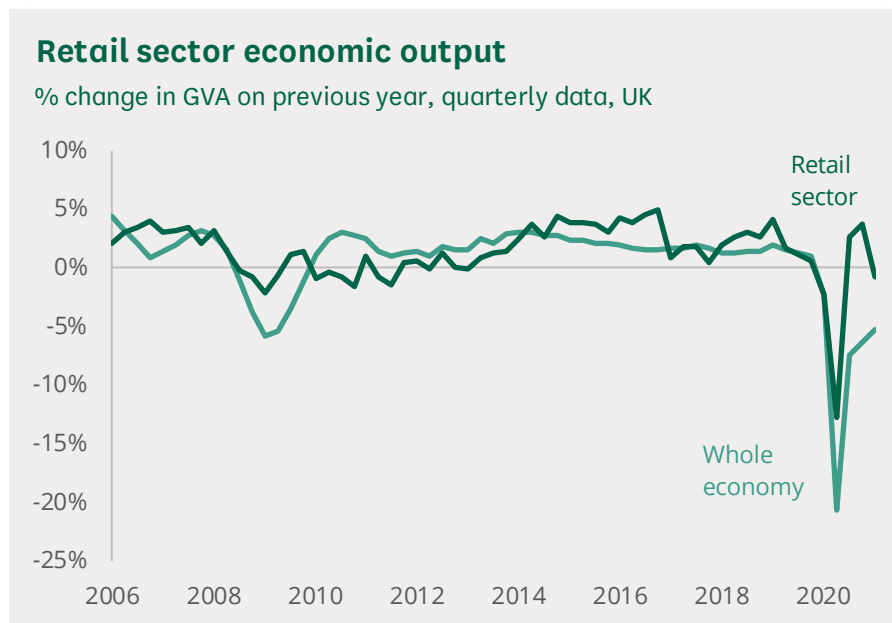
² In terms of Gross Value Added (GVA). ONS, [GDP low level aggregates data](#), 31 March 2021 (Gross value added, current prices, series KK7F, KKP5)

³ ONS and [NISRA, Business register and employment survey](#), 2019

⁴ Businesses: BEIS, [Business population estimates 2020](#) (data as of 1 January 2020).

⁵ In terms of Gross Value Added (GVA). GVA is a measure of economic activity similar to GDP. Briefly, GVA is the contribution of part of the economy, minus costs incurred in production. Source: ONS, [GDP low level aggregates data](#), March 2021 (Gross value added, current prices, KK7F).

2.8% below Q1 2019. The pandemic however has had very different impacts across different types of retail stores – discussed further in section 2.



Source: ONS, [GDP Output approach – low level aggregates](#), 31 March 2021, retrieved 6 May 2021. Series: KLA8, KL74

Over the past ten years, the retail sector's economic output has largely followed a similar path to the whole economy.

The retail sector saw a fall in economic output and then weak growth following the financial crisis and subsequent recession of 2008, until late 2012. In 2013, the sector began to recover and grew strongly from 2014 until late 2016.

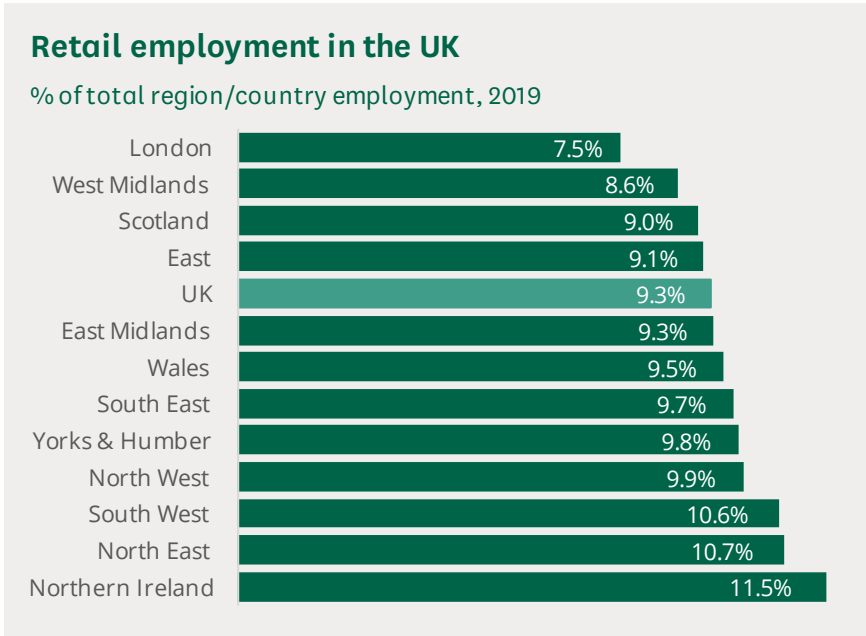
1.3 Employment

Employment in the retail sector in the UK was around 3.0 million in 2019, 9.3% of the UK total. This was a fall of 11,100 (0.4%) compared to 2018 (over the same period, total employment in the UK grew by 1%).⁶

Employment in the retail sector is fairly evenly distributed across most regions and countries of the UK, shown in the following chart.

London had the lowest proportion of retail employment in 2019 (7.5% of jobs in London were in retail) and Northern Ireland had the highest (11.5%). The South West and North East also had around 11% of employment in retail.

⁶ ONS, [Business register and employment survey](#), 2019, UK data tables.



Note: Employment estimates includes employees and self-employed workers registered for PAYE or VAT. Northern Ireland includes only employee jobs. Source: ONS and NISRA, [Business register and employment survey: 2019](#), accessed 6 May 2021.

Impact of the pandemic on retail employment

According to the Centre for Retail Research, an academic-led research institute, 109,407 retail jobs could be affected by retail companies going into administration in 2020.⁷ This figure is higher than the Centre reported for 2008 following the financial crisis. *The Guardian* also kept track of [job losses announced](#) across a number of high street brands during the course of 2020, the largest being 13,000 redundancies across Arcadia (brands such as Top Shop, Dorothy Perkins and Miss Selfridge) and 12,000 redundancies at Debenhams.⁸

As of 31 March 2021, 536,300 retail jobs were on furlough under the Coronavirus Job Retention Scheme, which makes 19% of eligible jobs in the sector.⁹ Over half of these (56%) were in '[other specialised stores](#)' which includes clothing and footwear stores.

1.4 Businesses

There were 310,120 retail businesses in UK retail sector as of 1 January 2020, 5.2% of all businesses.¹⁰

⁷ Centre for Retail Research, [Who's gone bust?](#), accessed 25 May 2021.. Note that some of the business that went into receivership may have recovered, been sold as going concerns but changed their name, or ceased to exist. Therefore, these figures should be used cautiously.

⁸ Antonio Voce, Ashley Kirk and Richard Partington, [UK coronavirus job losses: the latest data on redundancies and furloughs](#), *The Guardian*, last updated 1 December 2020, accessed 6 April 2021.

⁹ HMRC, [Coronavirus Job Retention Scheme Statistics: 6 May 2021](#), accessed 18 May 2021.

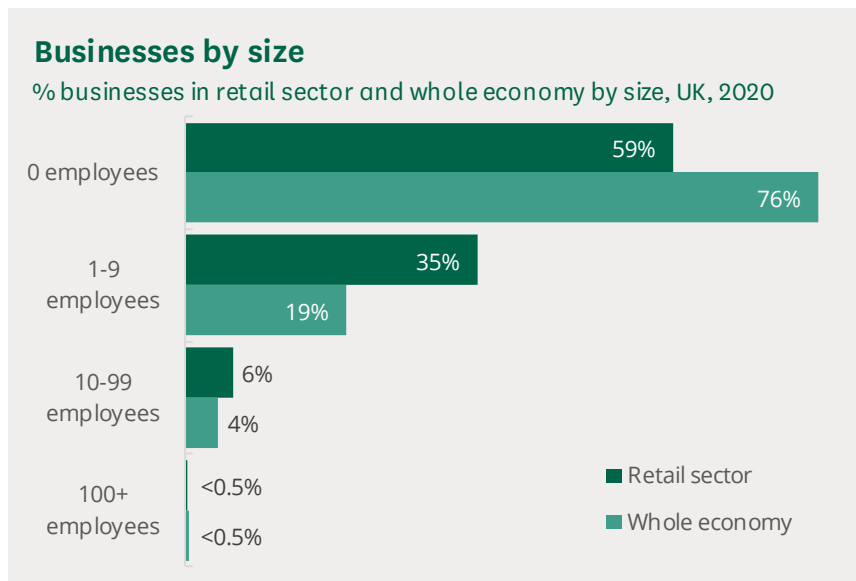
¹⁰ BEIS, [Business population estimates](#), 2020, Table 6

8 Retail sector in the UK

In common with most other sectors in the economy, small and medium sized enterprises (SMEs) made up over 99% of retail businesses.

However, the retail sector and the whole economy had differing proportions of businesses in other business size categories.

- 59% of businesses in the retail sector had 0 employees (single person-led business), compared with 76% in the economy as a whole.
- 35% of businesses in the retail sector had between 1 and 10 employees, compared with 19% in the whole economy
- 6% of retail businesses had between 10 and 100 employees, compared with 4% of all businesses.



Source: BEIS, [Business population estimates: 2020](#)

2. Retail sales in Great Britain

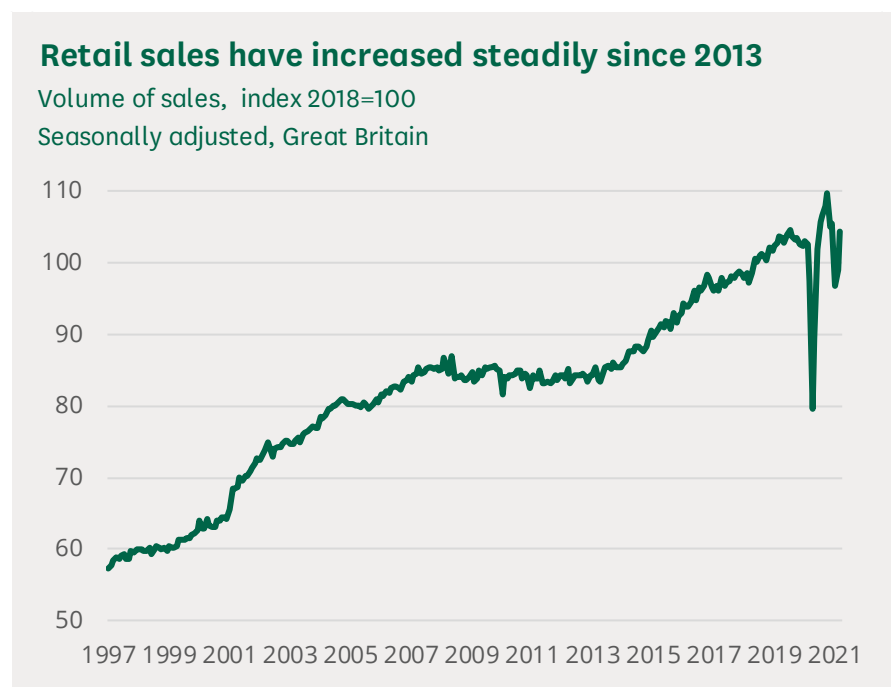
In 2020, retail sales in the Great Britain were worth £437 billion, down 0.6% on 2019. For every pound spent in 2020:

- 41 pence was spent in food shops – a 7% rise on 2019
- 9 pence was spent in clothing shops (including textiles and footwear) – a 25% fall on 2019
- 8 pence was spent on automotive fuel – a 25% fall on 2019
- 8 pence was spent in household goods shops (including electronics and furniture stores) – a 1% rise on 2019

The remainder was spent in other types of shops, non-specialist shops, or in non-store retailing, such as market stores, catalogues and online-only retailers.¹¹

Prior to the coronavirus pandemic, the volume of retail sales had been increasing year-on-year since 2013. This followed a period of stalled growth in sales following the financial crisis, between 2008 and 2013.

The following chart shows how the volume of retail sales has changed over the last two decades (that is, sales adjusted for inflation).¹² Only rarely have retail sales fallen in volume terms compared to the previous year since 1997. Average growth in rolling three month periods compared to the previous year was 2.0% between 1997 and 2021.



Source: ONS, series [J5EK](#).

¹¹ ONS, [Retail sales](#), pounds data, value, seasonally adjusted data.

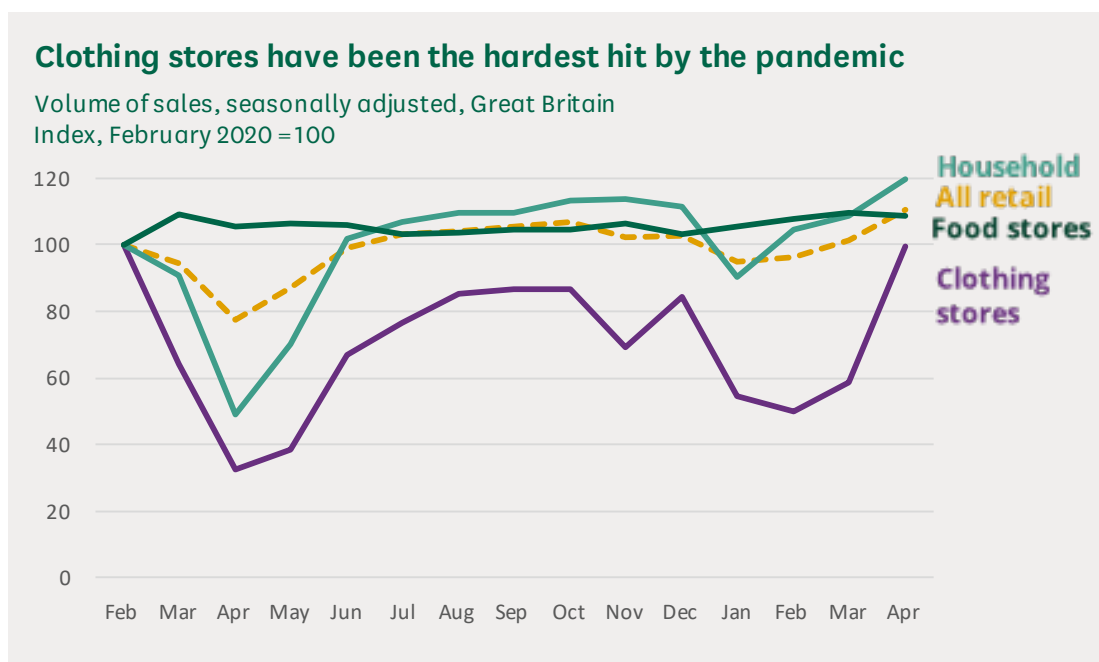
¹² ONS, All retail sales including fuel, volume, seasonally adjusted, series [J5EK](#) and [J5EH](#).

Coronavirus pandemic: impact on sales

At the onset of the Covid-19 pandemic in March 2020, retail sales fell dramatically as lockdown restrictions closed non-essential retail stores.

Retail sales as a whole recovered to pre-pandemic levels by June 2020 – relatively quickly compared to other sectors such as hospitality and entertainment.¹³ Sales fell again in January and February 2021 when non-essential retail shut again, however the fall was much less significant than early 2020, suggesting that retailers and consumers had adapted to restrictions.

Although retail sales overall have broadly returned to pre-pandemic levels, there has been a big difference between the impact on different store types, shown in the chart below.



Notes: all retail includes sale of fuel.

Source: ONS, [Retail Sales Index](#), Series J5EK, EAPT, EAPX, EAPY, J5DZ, accessed 21 May 2021.

Food stores have maintained a steady level of sales throughout the pandemic, with sales increasing during lockdown periods as consumers relied on groceries rather than eating out, for example. Household goods stores saw sales increase above pre-pandemic levels during the summer of 2020, thought to be driven by sales of DIY products for home improvements.¹⁴ Clothing stores have been the hardest hit during the pandemic. Sales in clothing stores remained below pre-pandemic levels throughout 2020 and early 2021. Sales in clothing stores recovered to pre-pandemic levels in April 2021, following strong growth as non-essential retail re-opened that month.

¹³ See Commons Library briefing [Coronavirus: economic impact](#), section 3.5 (CBP 8866, 9 April 2021).

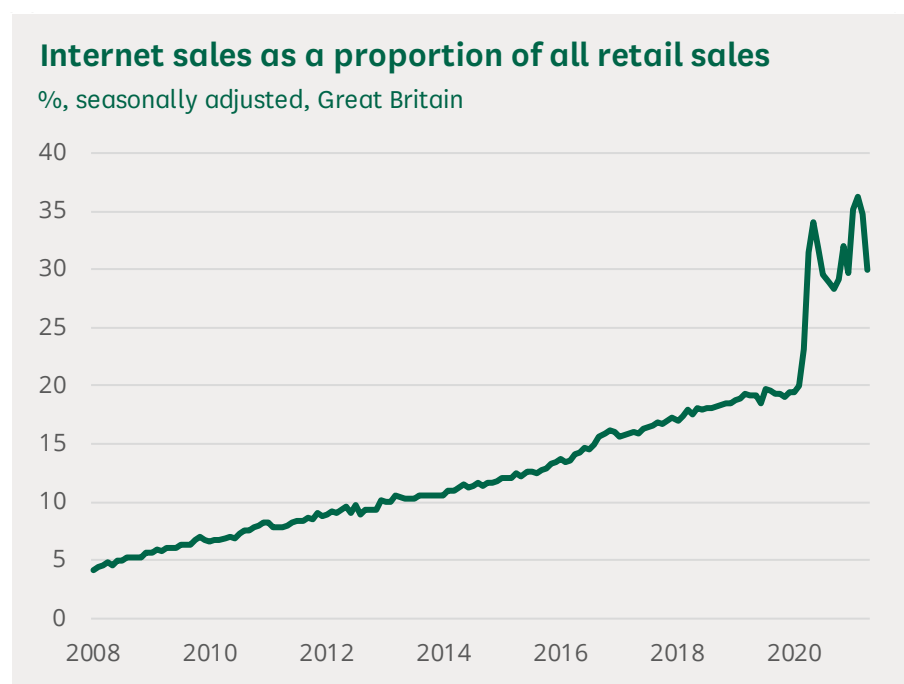
¹⁴ ONS, [Retail Sales Bulletin: February 2021, Section 4](#), 26 March 2021.

Chief executive of the British Retail Consortium, Helen Dickinson said that fashion sales in knit and outerwear were particularly strong in April as customers prepared to meet friends and family outdoors.¹⁵ She said that although April sales were strong and a “[step in the right direction](#)” demand remained fragile with footfall in stores still below pre-pandemic levels and staff remaining on furlough (see section 1.3).¹⁶

Non-store and online sales

Non-store sales increased rapidly at the onset of the pandemic and have remained high ever since: as of April 2021, non-store sales were 53% above pre-pandemic levels. Non-store sales mean retail without a physical store presence; 82% of this category is online-only retail and the remainder market stalls, catalogue-order retail, pop-up stores etc.

Similarly, the proportion of all retail sales happening online increased significantly in March 2020, shown in the chart below. These figures include all online retail sales including for retailers with physical stores, such as online supermarket orders for example. Internet sales have been above 28% of all sales since April 2020, up from 20% before the pandemic. February 2021 saw a record high for internet sales, forming 36% of all retail sales. Online sales fell as a proportion of all retail in April 2021 but remained high at 29% of all retail sales even as non-essential stores opened. Online retail is discussed further in section 3.2 of this briefing.



Source: ONS, series MS6Y (all sales excluding fuel) retrieved 24 May 2021

¹⁵ BRC, [Retail on the long road to recovery](#), 21 May 2021, accessed 24 May 2021.

¹⁶ BRC, [Retail on the long road to recovery](#), 21 May 2021, accessed 24 May 2021.

3. Pressures on the retail sector

The retail sector has changed radically in recent years. Factors driving these changes include internet retailing, store closures and other changes on the high street, and an increasing consumer preference for large multi-purpose malls.

This section includes a discussion of challenges facing the retail sector. For a discussion of wider challenges facing high streets and town centres, including on business rates, see the Commons Library briefing: [Town centre regeneration](#) (21 May 2021).

3.1 Coronavirus pandemic

The coronavirus pandemic has caused huge challenges for the retail industry. Section 2 covers the impact of the pandemic on sales, showing the different experiences of different retail sectors during the pandemic and section 3.3 below covers store closures.

Even stores that have seen sales remain strong or increase, such as food stores, have had new challenges due to social distancing requirements and the costs of implementing Covid-secure measures. The sector has benefited from a number of Government financial support schemes during the pandemic (Box 1).

Box 1: Support for the retail sector during the pandemic

The retail sector has benefited from Government support schemes during the pandemic, including:

- Coronavirus Job Retention Scheme (CJRS): up to 31 March 2021, employers in the wholesale and retail sector had claimed £11.27 billion under the (CJRS).¹⁷
- Government-backed business loans: wholesale and retail sector businesses were offered loans worth £10.95 billion in total, 18% of the total loaned across all sectors. Wholesale and retail businesses represent 9% of the total business population.¹⁸
- Business rates relief: retail businesses in England received 100% business rates relief in 2020/21. The business rates holiday will continue to 30 June 2021 and will then be replaced with 66% relief from 1 July to 31 March 2022 (with a cap depending on whether the business could open during the winter lockdown).¹⁹ The devolved administrations also have business rates relief schemes.²⁰
- A series of small business grants. As one example, in 2021/22 in England, qualifying non-essential retail businesses may receive restart grants up to £6,000 per premises.²¹ The devolved administrations have separate grant schemes.²²

For a summary of all Government support schemes, see our briefing, [Coronavirus: economic impact](#) (section 4.3).

¹⁷ Including sales of motor vehicles; figure provisional for claims made in March. Source: HRMC, [Coronavirus Job Retention Scheme statistics: 6 May 2021](#). See further, Library briefing, [Coronavirus job retention scheme: statistics](#).

¹⁸ [British Business Bank](#), 18 January 2021. For comparison to other sectors, see Library briefing, [Coronavirus business support schemes: statistics](#) (section 7).

¹⁹ Gov.uk [Business rates relief](#) [accessed 25 May 2021]

²⁰ See: Scottish Government, [Coronavirus in Scotland](#); Welsh Government, [Business and employers: coronavirus](#); NI Direct, [Coronavirus \(COVID-19\): Support for businesses](#).

²¹ Gov.uk, [Check if you're eligible for a coronavirus Restart Grant \(grants available from 1 April 2021\)](#), 19 March 2021

²² See footnote 17 above.

The pandemic has also accelerated some pre-existing trends and challenges facing the retail sector discussed further in this section, such as increased online shopping.

New challenges and opportunities have also emerged due to new behaviours during the lockdown, such as from increased home working and restrictions on travel. For example, the Local Data Company, PwC and others suggested a trend towards local shopping emerged during the pandemic, with local stores and smaller villages/towns seeing better footfall performance compared to city centres (see section 1.4 of our briefing, [Town centre regeneration](#) for further discussion).

Chief executive of the British Retail Consortium, Helen Dickinson said that although April 2021 sales were strong, consumer demand and the continued recovery of the sector remained fragile.²³ She described pointed to facing the sector going forward, in particular the end of business rates relief (see Box 1).

Another major concern facing the sector following the pandemic is accumulated rent debt.²⁴ The Government introduced a moratorium on evictions due to non-payment of rent for business tenancies (in England) that is due to expire on 30 June 2021.²⁵ Section 11 of the Commons Library briefing [Coronavirus: Support for businesses](#) provides further information.

3.2 Internet retailing

Shopping on the internet has become increasingly popular and this is transforming the retail sector.

As shown in section 2 above, online retail sales have increased from around 5% of all retail sales in 2008 (when the ONS data series began) to around 20% in 2019. At the onset of the coronavirus pandemic, online sales have increased to over 28% since March 2020.

The popularity of buying goods via the internet varies by type of shop, shown in the chart below. Department stores and clothing stores have a higher proportion of online sales compared to food stores.

All store types saw big increases in online orders in 2020. The proportions of internet sales had been previously increasing year-on-year to 2020 but to a smaller degree.

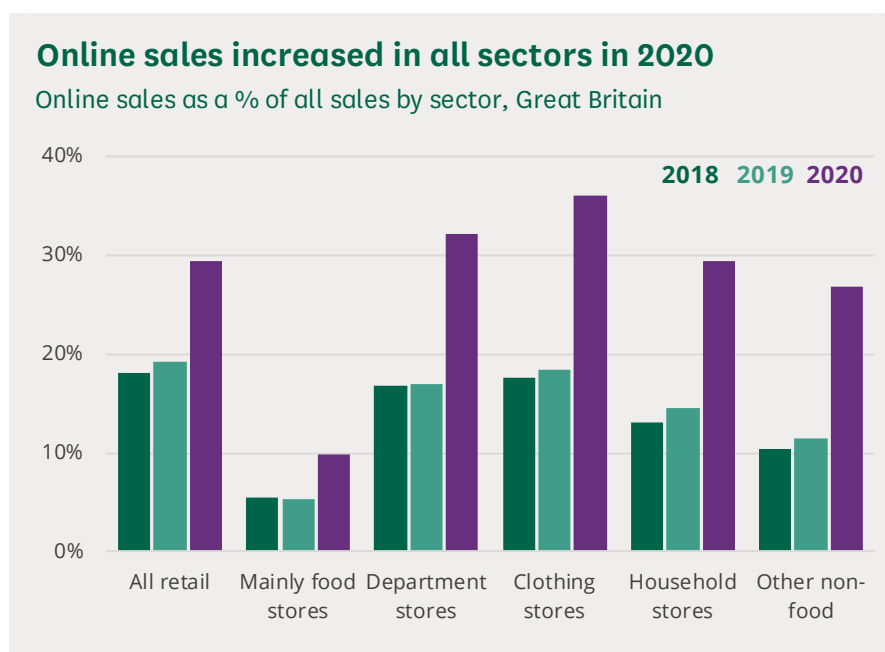
Michael Saunders, a member of the Bank of England's Monetary Policy Committee reported that small retailers (with employment less than 100 people) have a relatively high market share in online sales and have seen a larger increase in online sales compared to larger retailers, at 17.4% year-on-year growth in Q4 2020 compared to 1.7% growth for larger retailers.²⁶

²³ BRC, [Retail on the long road to recovery](#), 21 May 2021, accessed 24 May 2021.

²⁴ [UK retailers set out plan to tackle £3bn in rent arrears](#), Jonathan Eley and George Hammond, *Financial Times* [subs only], 6 May 2021, [accessed 24 May 2021].

²⁵ MHCLG, Further support for commercial and residential tenants, 10 March 2021

²⁶ Speech by Michael Saunders, External Member of Bank of England Monetary Policy Committee, [Supply and demand during and after the pandemic \(PDF\)](#), 26 March 2021, page 9.



Notes: includes sales for stores with a physical presence only. Non-store sales such as in online-only retailers are not shown.

Department stores includes all non-specialised non-food stores.

Source: ONS, [Retail sales index: Internet sales](#), accessed 10 May 2021.

Internet retailing is more popular in the UK than other European countries, shown in the chart below.²⁷ In the UK 90% of residents made at least one online purchase in 2020. Denmark, the Netherlands, Norway, Sweden, Germany and Iceland also had over 80% of residents making online sales in 2020.



Source: Eurostat, [E-commerce statistics for individuals](#), 2020.

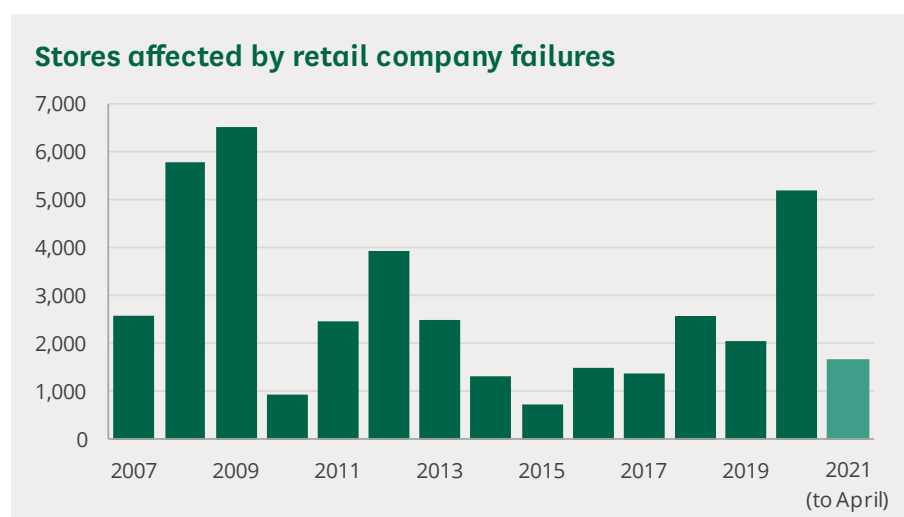
²⁷ Eurostat, [E-commerce statistics for individuals](#), 2020, accessed 10 May 2021.

3.3 Shop closures

In 2020, 54 retail companies with multiple stores ceased trading, affecting 5,214 stores and 109,407 jobs according to the Centre for Retail Research.²⁸ This is the highest number of store closures reported by the Centre since 2008 and 2009 following the financial crisis.

The Centre described the period 2020–2021 as “one of the worst periods for bricks-and-mortar retailing since the 1970s”, predicting further store closures and 200,000 job losses for the sector in 2021.²⁹

Further information on the companies in administration is provided on the [Centre’s website](#). *The Guardian* also kept track of [job losses announced](#) across a number high street brands during the course of 2020.³⁰



Source: Centre for Retail Research, [Who's gone bust in retail](#); *up to April 2021

Prior to the pandemic the sector was already experiencing challenges from store closures. From 2008 to the end of 2019, the retail sector with the most stores affected by company failures has been the clothing sector, accounting for 27% of all stores affected. Off licences accounted for 15% of stores affected. Footwear stores and DVD music and video game rental stores each accounted for 12% of stores affected.³¹

The Centre summarised the challenges in the retail sector leading to store closures as follows:

²⁸ Centre for Retail Research, [Who's gone bust?](#), accessed 11 May 2021. Note that some of the business that went into receivership may have recovered, been sold as going concerns but changed their name, or ceased to exist. Therefore, these figures should be used cautiously. They should not be interpreted to mean that this many jobs have been lost.

²⁹ Retail Research Centre, [The Crisis in Retailing: Closures and Job Losses](#), accessed 6 April 2021.

³⁰ Antonio Voce, Ashley Kirk and Richard Partington, [UK coronavirus job losses: the latest data on redundancies and furloughs](#), *The Guardian*, last updated 1 December 2020, accessed 6 April 2021.

³¹ Centre for Retail Research, [Who's gone bust? – analysis](#), attached list of retail failures, accessed 11 May 2021.

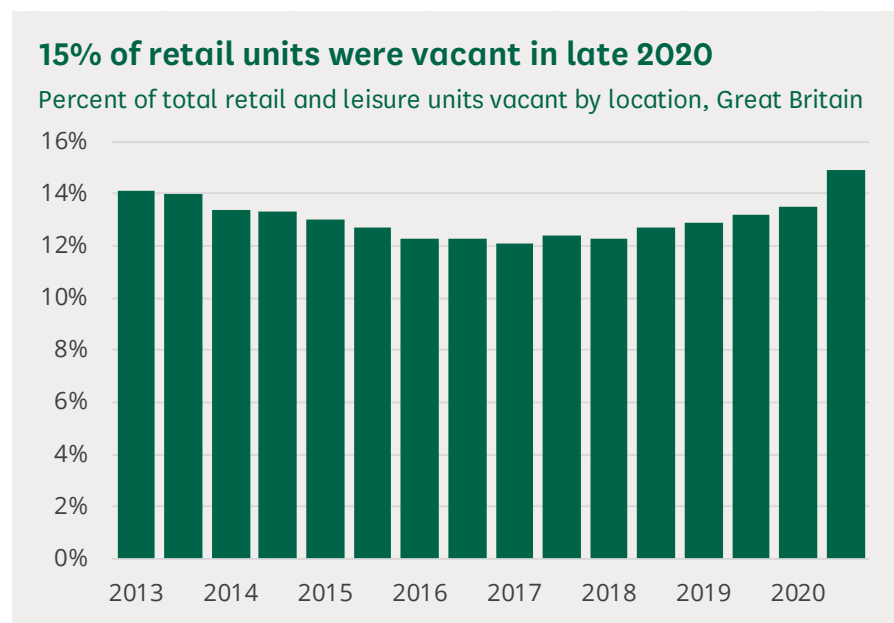
- The high costs of running retail outlets, including rents, business rates and high labour costs;
- Low profitability caused by high costs, slow growth in sales, squeezed profit margins and heavy price competition;
- The rapid growth of online competition such that by 2018 online sales accounted for around 18.4% of total retail merchandise sales, with much of online growth achieved at the expense of bricks-and-mortar retailers.
- Lack of preparation: low investment in stores and weak forward planning to meet the challenges of the new retailing.³²

The Centre described the coronavirus lockdowns and ongoing social distancing costs as “trumping all the above”.

Empty shops

The [Local Data Company](#) (LDC, a retail and leisure data company) collects information on retail and leisure businesses in town centres in Great Britain. The LDC reported that the rate of vacant retail units has increased from 12% to 15% from 2018 to 2020.³³

The year of 2020 saw the biggest increase in retail vacancies since 2013. The Local Data Company has forecast that vacancy rates will continue to rise in high streets, shopping centres and retail parks in 2021 as the full impact of the pandemic has not yet been seen.³⁴



Source: Local Data Company, [Retail and Leisure Analysis: Full year 2020 report](#), March 2021.

Vacancy rates vary considerably depending on the type of retail location. Vacancy rates on high streets are close to the national average, however

³² Centre for Retail Research, [The Crisis in Retailing: Closures and Job Losses](#), accessed 11 May 2021.

³³ Retail and leisure units include restaurants, bars, hairdressers and personal care, gyms and other leisure services and facilities. Local Data Company, [Retail and Leisure Analysis: Full year 2020 report](#), March 2021

³⁴ Local Data Company, [Retail and Leisure Analysis: Full year 2020 report](#), March 2021.

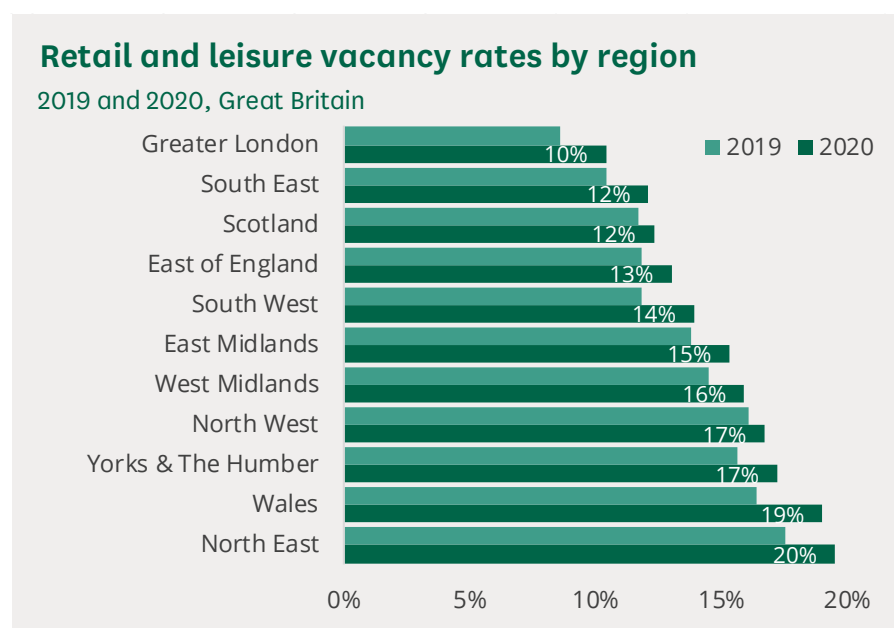
vacancies in shopping centres are much higher and vacancies in retail parks are much lower.³⁵

Retail parks have been the most resilient to store closures during the pandemic, thought to be due to outdoor environments and accessibility by car as well as a higher presence of essential retailers at these locations. Shopping centres have been the most impacted by the pandemic in terms of store closures, thought to be due to indoor environments and low proportions of essential retail compared to retail parks and high streets.³⁶ Shopping centres have the highest proportion of long-term vacancies, with 5% of units vacant for more than three years, compared to 4.2% on high streets and 1.9% in retail parks.³⁷

Vacancy rates by region

The following chart shows retail and leisure vacancies by region in 2019 and 2020 as reported by the Local Data Company. The chart includes vacancies in shopping centres, high streets and retail parks. Leisure units include restaurants, bars, gyms, hairdressers etc.

London had the lowest rate of vacancies, with 10% of retail and leisure properties vacant in 2020. The North East had the highest proportion of vacant units in 2020 (20%). Wales saw the biggest change in the number of vacant units, with vacancy rates rising 2.6% between 2019–2020.



Note: includes vacancies across all locations: high streets, shopping centres and retail parks.

Source: Local Data Company, [Retail and Leisure Analysis: Full year 2020 report](#), March 2021.

³⁵ Local Data Company, [Retail and Leisure Analysis: Full year 2020 report](#), March 2021.

³⁶ Local Data Company, [Retail and Leisure Analysis: Full year 2020 report](#), March 2021, page 20. The LDC reported that on average, only 15.4% of units in shopping centres are classified as 'essential' compared to 28.7% for retail parks and that shopping centres have a higher proportion of comparison goods stores compared to the average high street location.

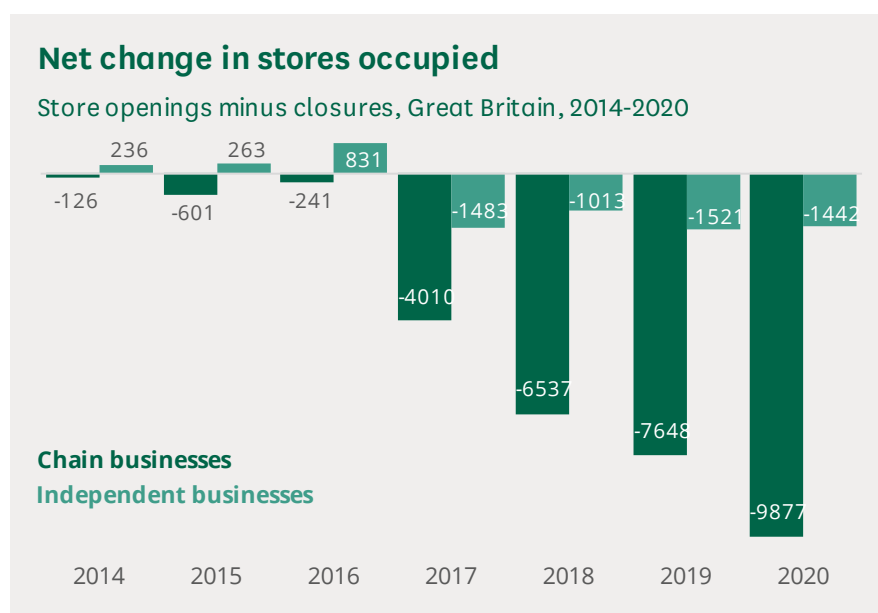
³⁷ Local Data Company, [Retail and Leisure Analysis: Full year 2020 report](#), March 2021, page 22.

Vacancy rate by type of store: independent vs chain businesses

In terms of types of store, comparison goods stores (this means stores selling fashion and household items for example, as opposed to groceries and convenience stores) have consistently had far higher rates of vacancies compared to other types of stores.³⁸

Chain stores (brands with more than 5 outlets) have had a [consistently higher vacancy rate](#) than independent stores and have seen a higher rate of closures during the pandemic, shown in the chart below.³⁹

The Local Data Company and PwC reported that in 2020, chain businesses had a 29% fall in the number of occupied units (net loss of 9,877 units), driven largely by very low numbers of new openings. For independents on the other hand, 2020 saw a slowing of store closures; the number of occupied units increased by 5% in 2020, although still representing a net loss of 1,422 units.⁴⁰ The LDC said this suggests that the government support schemes (see Box 1) have been more effective in supporting smaller businesses rather than larger chains, which have moved to rationalise.⁴¹



Source: Local Data Company, [Retail and Leisure Analysis: Full year 2020 report](#), March 2021.

The LDC forecasts these trends to continue in 2021 as some high-profile store closures announced in 2020 (such as the Debenhams and Arcadia brands) are not captured in the figures. Neither are stores temporarily

³⁸ Local Data Company, [Retail and Leisure Analysis: Full year 2020 report](#), March 2021.

³⁹ Local Data Company, [Independent retail market remains resilient in 2020 due to Governments support schemes](#), 24 March 2021, accessed 6 April 2021. PwC, [Store openings and closures – 2021](#), accessed 10 May 2021. Data is for retail and leisure units.

⁴⁰ Local Data Company, [Independent retail market remains resilient in 2020 due to Governments support schemes](#), 24 March 2021, accessed 6 April 2021. Figures are for all locations (shopping centres, retail parks and high streets). Chain businesses are those with 5 or more outlets.

⁴¹ Emma Simpson and Daniele Palumbo [Pandemic impact 'yet to be felt' on High Streets](#), *BBC News*, 14 March 2021.

closed during lockdown that may never reopen. That is, the full extent of the impact of the pandemic on store closures is yet to be seen.

An interactive display of store openings and closures for chain businesses by region is provided on the [PwC website: store openings and closures 2021](#).

3.4 Changing consumer behaviour

Physical shops, high streets and shopping centres have adapted to the rise of internet retailing by changing the experiences and services that they offer to customers. This can be seen in several broad trends.

Click and collect and omnichannel retailing has grown. Online retailing has not resulted in a simple substitution of physical shopping for online shopping, although this has happened to some extent. Instead, successful physical stores have developed online services that are complimentary to their physical presence. Modifications include offering customers the option to browse goods in the store and then order them online, or pick up goods they have bought online in physical stores.⁴²

The growth of online retail following the pandemic is forcing retailers to reconsider the value and purpose of their physical stores even further.⁴³ Commentators point to evidence that consumers are becoming less brand-driven and more price-driven, with consumers not necessarily sticking to their favoured brands when moving online.⁴⁴ For example, prior to the pandemic, John Lewis estimated that their physical stores contributed around £6 of every £10 spent online; since the pandemic that has been reassessed to on average around £3.⁴⁵ Retailers are increasingly moving towards shops that provide experiences and services that cannot be sourced online (such as stylists, repairs, cafes) rather than simply browsing space.⁴⁶ Larger stores are moving to 'inventory-less' small-format stores.⁴⁷ For example, John Lewis is trialling featuring John Lewis shopping areas in Waitrose stores and smaller, neighbourhood shop formats.⁴⁸

The increasing popularity of **beauty or personal service shops** further highlights this trend, signalling the type of service that customers value that is not found online. The Local Data Company reports that in 2017, most retail sectors saw a net fall in the number of units across the country. But barbers, beauty salons and nail bars all saw net increases in the number of units.⁴⁹ In 2020, barbers again saw the highest number

⁴² Wrigley N., and Lambiri D. (University of Southampton), *British High Street: from crisis to recovery: a comprehensive review of the evidence*, 2015, p65

⁴³ PwC, *Retail & Consumer Briefing 2021 – Highlights*, accessed 11 May 2021.

⁴⁴ *Why John Lewis tells us this retail crisis is just beginning*, Helen Thomas *Financial Times*, 17 March 2021 [accessed 11 May 2021].

⁴⁵ John Lewis Partnership, *Annual report and accounts 2021 (PDF)*, accessed 11 May 2021, page 12 and 34.

⁴⁶ Centre for Retail Research, *Store of the Future*, accessed 11 May 2021.

⁴⁷ *How retail giants could thrive on the post-pandemic high street*, Tamsin McLaren, *The Conversation*, 17 March 2021 [accessed 11 May 2021]

⁴⁸ John Lewis, *John Lewis partnership plans not to reopen eight John Lewis shops from lockdown as it rebalances store estate*, 24 March 2021 [accessed 4 May 2021]

⁴⁹ Local Data Company, *Retail and leisure trends report H2 2017*, May 2018, p5

of new openings for the 4th consecutive year despite the impact of the pandemic.⁵⁰

Convenience stores also made the top 10 list of growing stores in 2020 (growth by net change in the number of units) after 4 years of decline, reflecting local shopping behaviours during the pandemic and their status as 'essential' stores.⁵¹ Gyms also made the top-10 despite pandemic closures, largely due to the number of independents in this category and coinciding with a growing focus on health and wellbeing.⁵²

There has been growth in **mixed use malls** which include shops, cinemas and food and drink outlets. It has been argued that consumers should not be analysed in terms of discreet purchases, but rather by the trip they make to the shopping area.⁵³ This is because increasingly, what attracts people to the town centre or shopping mall is no longer just the shops (which have often been substituted by online vendors), but rather the leisure facilities that they can access there, such as cafes, restaurants, cinemas and children's activities.⁵⁴ Shopping centres however have been hardest hit during the pandemic in terms of store vacancies (see section 3.3 above).⁵⁵

Retailers must also adapt to **new consumer trends** such as interest in ethical and environmental sustainability of products and supply chains.⁵⁶

3.5 Economic factors

In the decade following the financial crisis of 2008/09, average earnings have been subdued and disposable income has barely grown. These factors have affected confidence in the retail sector and contributed to some of the recent trends in retailing mentioned above.

For much of the past decade since the financial crisis, earnings growth has been below inflation, leading to a long period of [stagnating wages in real terms](#).⁵⁷ In conjunction, household disposable income has also grown far more slowly than in previous decades, shown in the chart below. Household disposable income means income after tax; it includes wages as well as other sources of household income such as pensions and investment.

Between 1955 and 2007, the average annual growth in real disposable household income per head was 2.6% a year. Between 2008 and 2011

⁵⁰ Local Data Company, [Retail and Leisure Analysis: Full year 2020 report](#), March 2021, page 32.

⁵¹ The Library briefing, [Town centre regeneration](#) discusses trends in local shopping further, see section 1.4.

⁵² Local Data Company, [Retail and Leisure Analysis: Full year 2020 report](#), March 2021, page 32.

⁵³ Howard, E., [New shopping centres: is leisure the answer?](#), International Journal of Retail & Distribution Management, 2013

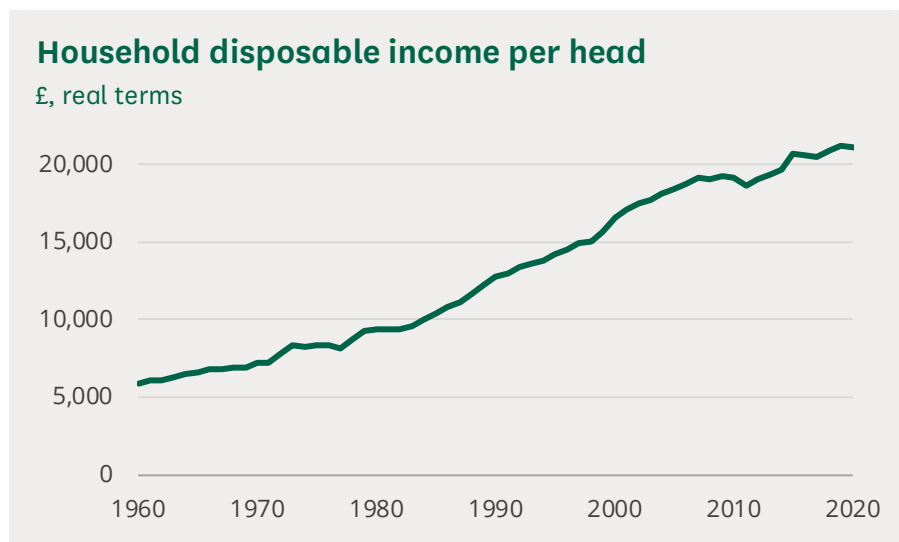
⁵⁴ Deloitte, [Passion for leisure: a view of the UK leisure consumer](#), 2017, p9

⁵⁵ Local Data Company, [Retail and Leisure Analysis: Full year 2020 report](#), March 2021, page 19–20.

⁵⁶ PwC, [Retail & Consumer Briefing 2021 – Highlights](#), accessed 11 May 2021; Centre for Retail Research, [Ethical consumer, the Green Shopper](#), accessed 11 May 2021.

⁵⁷ See: Library Insight, [Slowing economic growth, Brexit and the productivity challenge](#), 15 January 2020; and Library Key Economic Indicator, [Average Earnings](#).

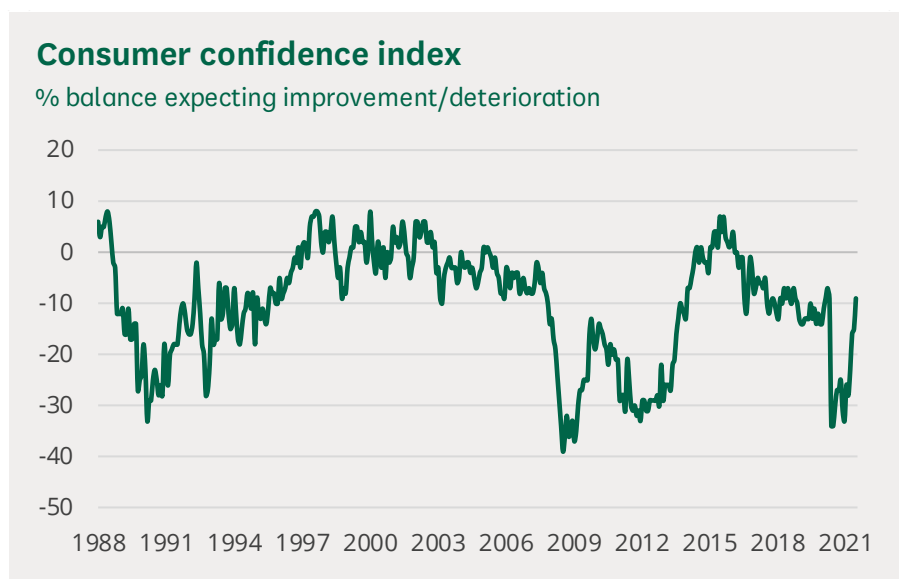
disposable income fell by 0.2%. Between 2012 and 2020 growth in income recovered but at a slower rate (1.4% average annual growth).⁵⁸



Source: ONS, series CRXW. Reference year 2016, [UK](#).

These factors have fed into weak consumer confidence, particularly in the five years following the financial crisis.⁵⁹

Unsurprisingly consumer confidence fell at the onset of the pandemic in March 2020. Confidence began to recover in early 2021 with the vaccine programme accelerating and lockdown restrictions easing, reaching pre-pandemic levels in May 2021.



Source: [GfK NOP consumer confidence survey](#), monthly data.

The pandemic has also led to accumulated household savings (concentrated in higher income households) as spending on many services has been restricted.⁶⁰ Together with rebounding consumer

⁵⁸ [ONS series, CRXW](#)

⁵⁹ GfK NOP, [Consumer Confidence Index](#)

⁶⁰ See Commons Library briefing, [Coronavirus: Impact on household savings and debt](#), 13 January 2021.

confidence this has supported optimism that consumer spending may recover strongly in 2021.⁶¹ Commons Library briefing [Coronavirus: economic impact](#) (section 3.5) provides further discussion.

3.6 Changing supermarket environment

Supermarkets are a fundamental component of the retail landscape in the UK. They are where many people buy their food and other essential items, they are innovative businesses that have transformed the retail environment and, in some cases, they are also significant global brands. But their role and position in the retail landscape has changed in recent years.

The decade to 2012 was a period of rapid expansion for the big four supermarkets (Tesco, Sainsbury, Asda and Morrison). These stores' market share in groceries grew from around two thirds in 2000 to over three quarters in 2011. This growth was accompanied by a number of other features: broadening product ranges, more and larger stores which were often located out of town, and increased multi-channel retailing (including home delivery and click-and-collect).⁶²

The five years since 2012 have seen many of these trends reversed. The market share of the big four supermarkets has fallen from 77% in 2011 to 68% in 2018.⁶³ The major supermarkets have also altered the profile of their estates, with a concerted move away from out of town stores towards town centre convenience stores and 'small supermarkets'. In 2014, Sainsbury's announced that it had more convenience stores than supermarkets; Tesco, the UK's largest retailer, announced that its convenience stores outnumber its supermarkets in 2013.⁶⁴

This decline in the market share of the big four was accompanied by the rapid rise of the lower costs, "no frill" competitors: Lidl and Aldi. In 2008, the combined market share of Lidl and Aldi in the Great Britain groceries market was 5%. In 2018 it was 13%.⁶⁵ These stores are characterised by a smaller range of goods and generally lower prices, compared to the big four supermarkets.

Changing consumer behaviour has also affected the big four supermarkets. In recent years, consumers have begun to make more frequent, smaller value shopping trips. Consumer preference has shifted in favour of single item purchases, rather than 'multi-buys'. And, the trend towards increased online purchasing means that a large stock selection in store is no longer crucially important.⁶⁶

⁶¹ Bank of England, [Monetary Policy Report: May 2021](#), 6 May 2021; [Easing of restrictions lifts UK consumer confidence to pre-pandemic level](#), Valentina Romei, *Financial Times*, 24 May 2021.

⁶² Bank of England, [David vs Goliath: the supermarket's battle for the consumer](#) (via the [Bank Underground blog](#)), 8 September 2017

⁶³ Kantar World Panel, [Great Britain grocery market share](#), 7 October 2018

⁶⁴ BBC, [The rise, fall and rise of the mini-supermarket](#), January 2014

⁶⁵ Kantar World Panel, [Great Britain grocery market share](#), 7 October 2018

⁶⁶ Bank of England, [David vs Goliath: the supermarket's battle for the consumer](#) (via the [Bank Underground blog](#)), 8 September 2017

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