

61% of UK Consumers Foresee the End of the High Street

Submitted by: KIS Finance

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The UK's high streets are collapsing in front of us

With the news that Debenhams will be closing its remaining 118 high street stores after fashion retailer Boohoo bought their brand and on-line business for £55million, the future of the UK's high streets has never looked more uncertain.

It's therefore not surprising that 61% of Brits are worried that the high street as we know it is at risk of disappearing, with store closures permanently changing the retail landscape, according to research by KIS Finance

(<https://www.kisbridgingloans.co.uk/finance-news/61-percent-of-uk-consumers-foresee-the-end-of-the-high-street/>).

Certainly, high street shops have been some of the biggest economic casualties of the pandemic. This has massively accelerated the growth in on-line shopping and the numbers who are buying on-line for the first time, which has hastened the demise of many traditional shops.

A similar story is emerging with Asos currently pursuing the purchase of Topshop and other Arcadia brands which include Topman, Miss Selfridge and HIIT, again with the intention of only operating on line. With the take over of longstanding brands by fast fashion retailers, huge gaps will be left in our familiar high street landscape.

So what does the future hold for our town centres?

From surveying 1,000 consumers in the UK, KIS unearthed some interesting findings including:

- 61% of Brits are worried the high street will disappear completely in the next ten years due to the ever increasing number of big-name store closures.
- Fashion, food, beverage and value brands are predicted to be the biggest victims of the high street due to online competition. By comparison, luxury brands may find that customers will still value the in person shopping experience when it comes to splashing out on high value items.
- Convenience is a key factor that affects our shopping habits in today's busy world.

Whilst the high street has been in decline for many years, the problem has accelerated at an alarming rate this year. According to research by The Local Data Company and PWC, the first half of 2020 saw over 11,000 outlets shut, which is double the amount for the same time last year.

Of course the pandemic has been the final nail in the coffin for many retailers, with the increasing popularity of online shopping intensified by the Covid restrictions, which have forced many shops to

close for extended periods.

Online sales soar to new heights

In February 2020 19% of all UK retail sales were online, which represented a substantial increase over the last 10 years, as back in 2010 only 8.5% of purchases were made online. However the impact of the pandemic is clear to see, as by May 2020 32.8% of sales were online. That's a 73% increase over a 3 month period! This fell slightly when the first lockdown restrictions were eased in the summer but has remained around 30%, still a substantial increase compared to pre-pandemic levels.

Shopping habits look set to change for good as UK consumers shop on-line more than any other nation

Worryingly for stores, and the vast majority of us who will be sad to see the high street go, the habit of shopping online looks set to be the norm in future for many people. 87% of the UK now shop online, the highest compared to other European nations and even higher than North America where 84% of the population shop this way. In fact during the pandemic the UK has spent an additional £5.4 billion online.

With recent research finding that 66% of people don't think the Government has done a good job in managing the pandemic, it's also likely that many may continue to avoid physical shops due to fear of infection, in which case the domination of online sales looks set to continue.

Why are so many consumers choosing the online option?

Convenience has always been one of the benefits of online shopping with 64% of those in our survey stating that this was the key reason that they chose to shop this way.

It's this desire for ease that is behind the phenomenal success of Amazon. With many customers placing convenience at the top of their priorities, the impact on both large and small physical retailers is devastating. In fact the success of Amazon is clearly one of the key factors behind the demise of so many outlets.

Why has Amazon had such a devastating impact on our high streets?

The unprecedented growth of Amazon over recent years has certainly had a massive impact on our shopping habits, which has in turn contributed to the decline of many traditional retailers.

Why is their business strategy so successful?

Amazon's mission is to enter and disrupt new markets, with the aim of dominating them, leading to many smaller retailers being pushed out. With 90% of us now turning to Amazon it's hardly surprising that their profits have tripled during the pandemic. With so much money behind them it's easy for Amazon to absorb initial losses in order to penetrate a new market and savagely undercut existing providers.

Amazon have successfully mastered the approach of being second to market, which has enabled them to copy others' good ideas and then utilise the Amazon infrastructure to undercut on price and speed.

Certainly their speed of delivery has given sales a real boost during the lockdowns, attracting customers away from other online retailers who simply can't compete.

Their ability to cross-subsidise in this way clearly gives them an unfair advantage over other retailers, as does their ability to minimise their tax liabilities in the UK. In fact in the last year their UK revenues increased by 35% whilst their tax bill only rose by 3%.

They even undercut their own sellers!

Amazon's success in launching their own brand of products has even seen them undercutting other retailers selling on the Amazon platform. In fact Amazon boss, Jeff Bezos had to answer questions from Congress in the USA over whether they were using 3rd party sellers' data to develop their own products.

The European Commission is also charging Amazon with 'illegally abusing its dominant position'. The long term risk of this level of market dominance is that consumers are likely to see a reduction in choice and ultimately an increase in prices over time.

Job losses in the retail sector hitting an all-time high

180,000 retail jobs were lost in 2020, with a recent report from KPMG predicting that this could rise to as many as 400,00 as people continue to switch to on-line shopping as a direct and lasting result of the pandemic.

The impact of this will be felt across the economy for years as people struggle to find alternative employment.

In comparison Amazon, who's operations are largely automated and have certainly played their part in causing many of these job losses, only expect to create 7000 new jobs in the UK. This will barely make any impact on the overall picture or go anyway to helping the UK economy recover.

For many the prospect of working, or seeing their children in the future working, in a warehouse packing goods will seem a highly unattractive alternative to a career in a live retail environment.

So what needs to change if the highstreet is going to survive?

One trend that has emerged during the pandemic is the desire by many consumers to support local businesses. Whilst many of the big names are finding themselves in trouble, smaller independent retailers are stepping up and adapting their offering to fill the gap. Some have developed home delivery and online options for the first time which has helped them to reach a wider customer base.

We spoke to retail expert James Child, retail analyst at Estate Gazette, about this shifting pattern towards shopping local. James said :

“There has been a swell of goodwill for both retailers and community groups that have come together during these difficult times. Consumers will be more aware of the potential of local shopping than they perhaps may have been previously.”

Certainly, the desire for a sense of community appears to be strong at a time of great uncertainty and local retailers need to really tap into that now and find ways to maintain a loyal shopping base as we eventually move out of the pandemic.

Local retailers need to adapt to meet customer needs

James says:

“Customers are as loyal to businesses and stores as they are to brands. Tapping into this has always been paramount to success, the current conditions have allowed these retailers to showcase their offer. In order to maximize this during this relative window of opportunity, these retailers shouldn't always need to replicate what larger retailers do, as it's their differences that often set them apart.

Increasingly people are willing to pay a little more to support local stores. I believe this trend will continue in a post-COVID19 UK, especially for those with disposable income.”

What does the future hold for the high street?

If independent businesses can adapt to changing shopping habits and demands then the high street may well survive, albeit in a different form to what we are all use to.

As James says:

“Whilst it is true that consumers will be ready to spend, it is worth remembering the psychological impact that months of lockdown will have had on shopping and leisure habits. People may be more sceptical about spending time in busy enclosed spaces like shopping centres, but local high streets may be a more attractive proposition.”

High streets may become central to the community again

Holly Andrews, Managing Director at KIS Finance says:

“As many large retail outlets close we may see a continuation of the pattern over recent years of vacant properties switching to residential use. Certainly, there has been an increase in applications for bridging loans for those wanting to convert shops and offices into residential units. With the changes to the UK planning system proposed by the Government, the process of converting empty retail space into much needed housing could be one way to bring people back into central locations.

For this transition to work highstreets need to find ways to reinvent themselves to remain a relevant space at the heart of our communities.”

[ENDS]

Notes to editors

Survey 1,000 Brits were surveyed through The Leadership Factor

Full report:

<https://www.kisbridgingloans.co.uk/finance-news/61-percent-of-uk-consumers-foresee-the-end-of-the-high-street/>

Data shop closures

<https://www.pwc.co.uk/press-room/press-releases/store-closures-twice-the-rate-of-last-year.html>

Data online sales

<https://www.ons.gov.uk/businessindustryandtrade/retailindustry/timeseries/j4mc/drsi>

Data UK ecommerce statistics

<https://www.statista.com/topics/2333/e-commerce-in-the-united-kingdom/#:~:text=In%202020%2C%20as%20high%20as,esp>

Data UK consumer on-line shopping market penetration

<https://www.statista.com/statistics/275968/online-purchasing-penetration-in-great-britain/>

Data on public view of Government's handling of pandemic

<https://www.mirror.co.uk/news/politics/boris-johnsons-government-slanted-handling-22799390>

Data on Amazon

<https://www.theguardian.com/technology/2020/sep/08/amazon-uk-pays-3-more-in-tax-despite-35-rise-in-profits>

Data on Amazon

<https://www.theguardian.com/technology/2020/oct/29/amazon-profits-latest-earnings-report-third-quarter-pandemic>

Data Centre for Retail Research

<https://www.retailresearch.org/retail-crisis.html>

Data Amazon jobs <https://www.bbc.co.uk/news/business-54009484>

Data retail to residential conversions

<https://www.landlordtoday.co.uk/breaking-news/2020/8/retail-to-residential-conversions-set-to-rise?source=othernews>

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