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How is coronavirus affecting retailers in the run-up to Christmas?

For many retailers, Christmas is the most important period of the year – the time when most sales and profit are made. Covid-19 and lockdowns have disrupted retail trading as well as consumer behaviour, making the holiday season of 2020 unlike any other in living memory.

Related Questions

Retailing has been one of the sectors most badly affected by the pandemic. The division of shops into essential and non-essential categories, and the forced closure of the latter, saw huge disruptions to trading patterns from March to July. ‘Panic buying’ of food and other staples, the switch of out-of-home food consumption into the home, a focus on local and community retailing, and a large increase in online retailing characterised those early months of the pandemic.

Related question: How is coronavirus affecting the UK's retail sector?

(<https://www.coronavirusandtheeconomy.com/question/how-coronavirus-affecting-uks-retail-sector>)

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This autumn, the second wave of the pandemic has seen further lockdown measures imposed, whether by entire country (Wales and Northern Ireland) or at a more granular spatial scale (in England, twice, and Scotland). The result has been a patchwork of retail openings and closures, both over time and place.

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For many retailers, November and December are the most important months of their trading year. Sales volumes are massively increased, and this is the period when many retailers make their profit. A 'good Christmas' is the make-or-break point for the year.

In recent years, the pattern has altered slightly as the US import of Black Friday has brought a late November peak, slightly reducing the impact of Christmas itself on retail sales. Boxing Day sales (often internet-led) have also affected the traditional New Year sales. Yet overall, this period is vital for retailers.

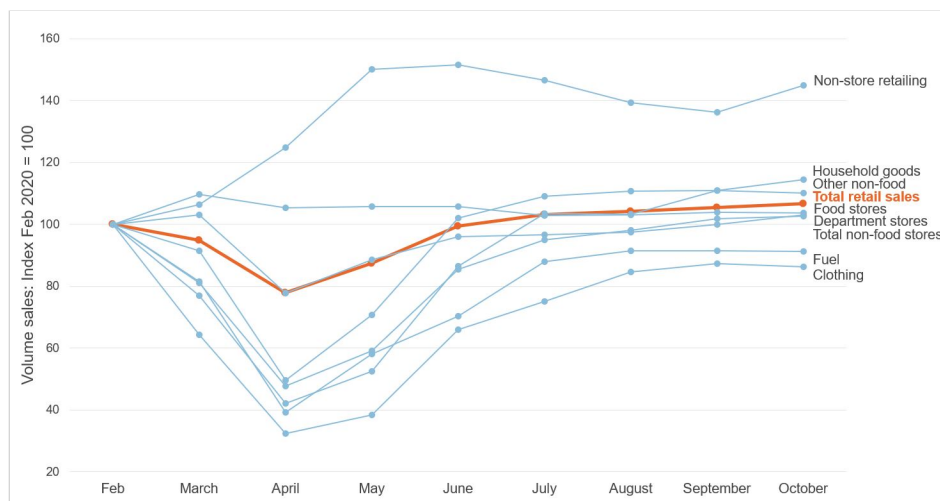
What has been the impact of lockdowns on Christmas so far?

While Black Friday in recent years has altered the timings of retail sales, the broad patterns have held for most retailers and consumers. While some shops stock Christmas products from August, the build-up of sales comes in late November and December. Retailers and consumers play a version of the game of 'chicken' around when to buy and at what price, with retailers searching for sales certainty at a good price and consumers looking to lock-in presents and other items at a bargain.

Coronavirus and lockdowns have altered these patterns. Increased uncertainty has followed from the variability of the lockdowns and the sense that they are alternatively imposed, released and then re-imposed, often with little notice. This has been seen most recently in Northern Ireland. Consumers are left wondering if and when the shops will re-open and whether they will be allowed to travel to shop in larger cities.

The consumer reaction has been to continue to use online retailing as a source of supply. The Office for National Statistics (ONS) finds that after a slight fallback in the summer, online shopping has grown again in recent weeks, due to early Christmas ordering (see Figure 1). [Kantar data \(https://www.kantarworldpanel.com/en/PR/Deck-the-aisles-Grocery-sales-spike-with-early-Christm\)](https://www.kantarworldpanel.com/en/PR/Deck-the-aisles-Grocery-sales-spike-with-early-Christm) to mid-November indicate early Christmas spending on seasonal food, alcohol and lights. There are also more public indicators of Christmas sentiment and purchase, with an early switching on of lights, decorations and trees in towns and at home.

Figure 1: Volume sales, seasonally adjusted, Great Britain, February 2020 to October 2020



Source: [Office for National Statistics \(https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/october2020\)](https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/october2020)

There has been a flurry of announcements of job vacancies and hiring by leading parcel and courier firms, which are reporting high product volumes in their systems (see Figure 2). Retailer websites are warning that high sales volumes are producing delivery date uncertainty and delay. Online shopping has again been the winner across all segments (Figure 3).

Figure 2: Delivery volume 2019 and 2020

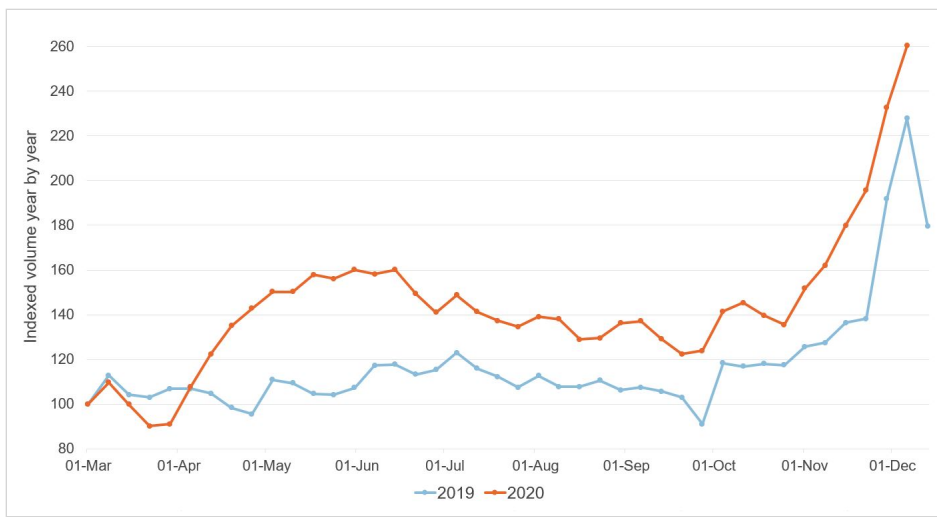
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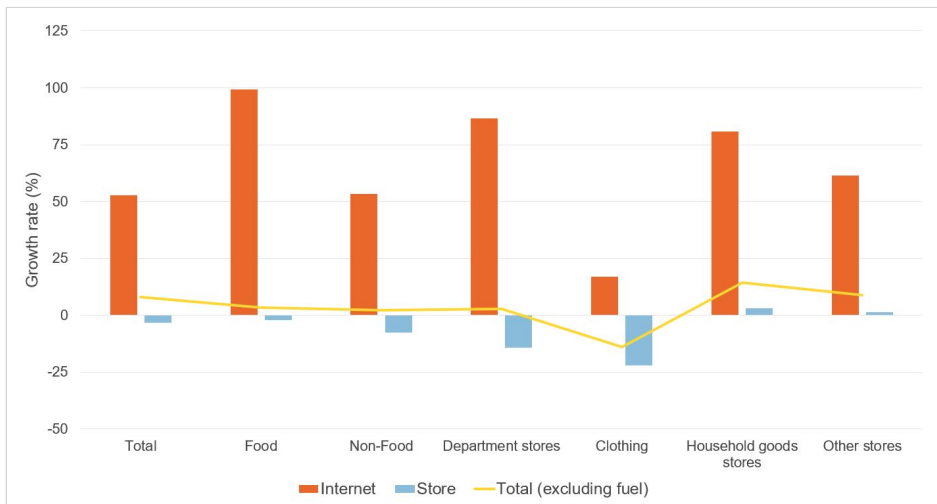
Leigh Sparks
University of Stirling

[View Profile \(https://stirlingretail.com/\)](https://stirlingretail.com/)



Source: Metapack Delivery Volume Index (https://www.metapack.com/en_gb/covid19-carrier-index/)

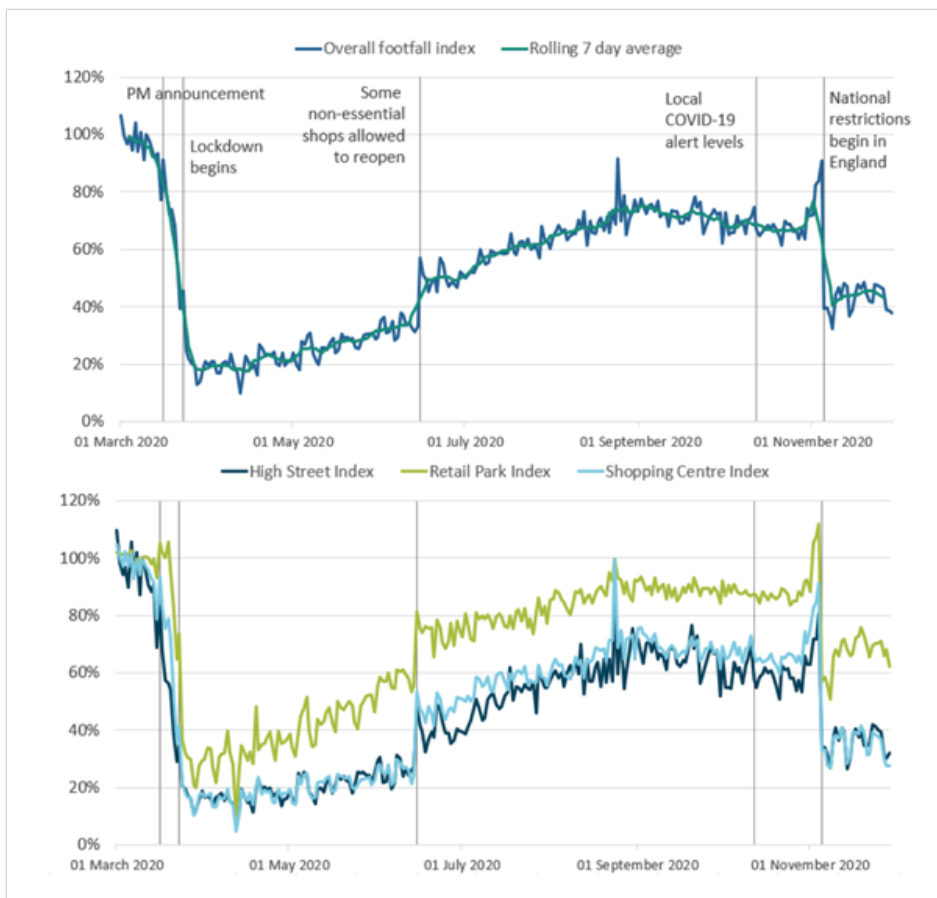
Figure 3: Value sales, seasonally adjusted, Great Britain, October compared with February 2020



Source: Office for National Statistics (<https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/october2020>)

Physical stores themselves are seeing a mixed pattern. Footfall figures show a marked decline in comparison to previous years, but this is not surprising given the closure of many stores due to lockdowns, as well as the reduction in the numbers of commuting workers and visitors to many towns and cities (see Figure 4).

Figure 4: Volume of footfall, year-on-year percentage change between footfall on the same day, UK, 1 March to 29 November 2020



Source: Springboard and the Department for Business, Energy and Industrial Strategy.

(<https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/conditionsanddiseases/bulletins/coronavirusstheukconomyandsocietyfasterindicators/3december2020>)

Pre- and post-lockdowns, there has been a large volume of consumer traffic at stores. While not true everywhere, queues for Primark re-opening after both England's lockdowns were reported in a number of towns and cities. Similarly, after the Welsh 'firebreak' ended in early November, Cardiff was very busy and consumer demand was high. The same happened across England on the first Saturday after the autumn lockdown ended. Consumers appear willing and ready to shop.

In recent years, the UK's holiday season has seen a rise in the number of Christmas markets. These often highly curated events run alongside more traditional market offerings. In many places, however, travel restrictions and wider concerns over alcohol, congregations and congestion of people have seen these markets cancelled and, in some cases, move online (as in Edinburgh). Traditional year-round markets could therefore get a boost.

Lockdowns have also had an impact on local shopping, and there is a continuation of the trend to seek out local and independent retailers and products. This is true for physical stores, where they are able to open, but also for online sales. Authentic producers, associations or collections of organisations (as with social enterprises in Scotland) and others with unique or distinct products and gifts have targeted consumers seeking something different as gifts or as part of a 'stay-at-home' Christmas.

What sort of Christmas will it be?

The other great uncertainty has been over the type of Christmas it will be: who will be able to see whom, where and when? Until late November this was very unclear, but a UK cross-government agreement has seen a five-day window of opportunity for small family gatherings. How this will turn out remains to be seen, as some will undoubtedly ignore the restrictions, yet others will heed advice that gatherings are permissible but non-essential.

Reactions to the Christmas 'window' are important for retailers, especially for those in food and drink. If widespread travel across the country does ensue, then retailers serving transport locations (at train stations and motorway service stations, for example) will be seeking to exploit this increase in passing trade and transient traffic.

For food and drink retailers, the size and type of these family gatherings will affect sales. If the family events are smaller and shorter than in previous years, the focus will switch to smaller products and possibly less food and drink. For example, butchers are concerned that

a trend for smaller turkeys will leave them with an excess of traditional larger birds. The same will be true for food retailers generally, and a similar story could unfold for Christmas cakes, desserts, puddings and party food.

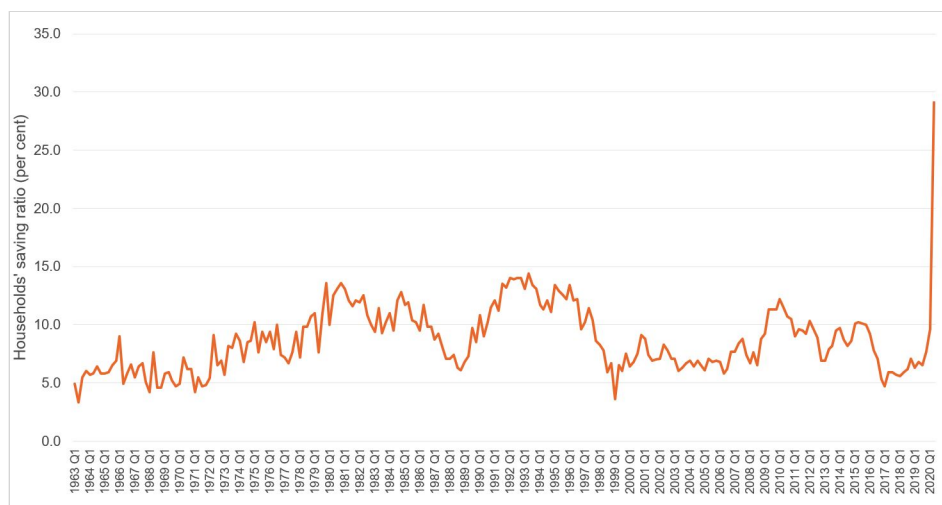
At this point we also do not know the extent of changes in international tourism patterns. As the advice is to not travel, it will be considerably down on previous years, both in terms of people coming to but also leaving the country. More UK residents may well be staying in this country, which will boost the volume of purchasing, certainly for food and drink but also potentially for home decorations, trees and presents.

Some consumers will have money to spend from forgone holidays and other expenses over this year, with the [savings ratio](https://www.ons.gov.uk/economy/grossdomesticproductgdp/timeseries/dgd8/ukea) (<https://www.ons.gov.uk/economy/grossdomesticproductgdp/timeseries/dgd8/ukea>) having hit a record high (see Figure 5). Others, however, have struggled substantially during the pandemic – as seen in the large uptake in the use of food banks ([Trussell Trust, 2020](https://www.trusselltrust.org/2020/11/13/the-long-read-1/) (<https://www.trusselltrust.org/2020/11/13/the-long-read-1/>)) and other community focused support schemes. Inequalities and disparities of access (physical and financial) have been exacerbated.

Related question: What are the effects of Covid-19 on poverty and inequality?

(<https://www.coronavirusandtheeconomy.com/question/what-are-effects-covid-19-poverty-and-inequality>)

Figure 5: UK households' saving ratio



Source: [Office for National Statistics](https://www.ons.gov.uk/economy/grossdomesticproductgdp/timeseries/dgd8/ukea)
(<https://www.ons.gov.uk/economy/grossdomesticproductgdp/timeseries/dgd8/ukea>)

There is also real concern over our national economic future (from the pandemic as well as Brexit), which translates into personal financial worries for those on furlough, those who have lost their jobs, and those relying on temporarily enhanced state support. When this support for business, workers and citizens ends, difficulties can be envisaged and so, for many, Christmas spending may not be a priority.

This is clearly reflected in the retail sector with Arcadia, Debenhams and Bonmarché going into administration on the same day in early December. The direct human cost in staff job losses (which affects women and younger workers to a large extent) in these three retailers could be over 30,000, and every one of these people will now be concerned about their financial security for Christmas and beyond.

What can retailers do in the last few days?

Christmas is always both an optimistic and nervous time for retailers. They will have bought stock and want to get a good margin. Consumers want to buy things for Christmas and make their money go as far as it can.

Things are no different this year, except that the run-up has been marked by lockdowns, forced closures, re-openings and continued social and physical distancing restrictions. This adds to the uncertainty over when sales will be made and at what margin. With the rise in

online retailing, physical store shopping alone will not necessarily be a good indicator of what is going on. Pricing and discounting will have to be managed very carefully this year.

Related question: Are small businesses ready to compete as consumers move online?

(<https://www.coronavirusandtheeconomy.com/are-small-businesses-ready-compete-consumers-move-online>)

For some retailers, however, there is a feeling that there is pent-up demand and consumers are willing to shop, both for Christmas and following lockdown frustrations. Extended opening hours have been embraced by some retailers, and more are likely as Christmas approaches.

Primark (which, with no online presence but a huge brand following, has been badly affected by lockdown) has seen almost a party atmosphere in stores open for 24 hours. Others, such as Marks and Spencer, are using 24-hour opening in the period immediately before Christmas to spread out the normal surge in demand for their food and drink. Having lost out on sales during the pandemic, retailers will want to capitalise where they feel they can.

How reliable are the predictions about Christmas?

In the run-up to Christmas, there is always media demand for stories about what sort of holiday season it is going to be for retailers and consumers, and how much consumers will spend. This year is no different. There is, however, no accurate prediction, as the final figures depend on a number of variables. There are also inevitably winners and losers among retailers.

about how it is going will be the price discounting across retailers generally, and the amount of product lines online that are out of stock. But even then, the prices achieved and how these relate to profits will only be known to the retailers themselves.

The first true evidence will come when corporate retailers report their Christmas trading, normally in early to mid-January. But even these require careful interpretation over what is reported, over what period and with what comparisons, as such reports are non-statutory and so consistency and comparability are often limited. These announcements will in due course be followed by official sales data and then retailer half-year and full-year accounts.

Only then will we have a clear picture of how the retail sector has been affected by the pandemic in the run-up to Christmas.

Who are experts on this question?

- The [Consumer Data Research Centre \(CRDC\)](https://www.cdrc.ac.uk/) (<https://www.cdrc.ac.uk/>) comprises an extensive partnership of researchers and companies and other organisations working on data and consumer behaviour, including in retailing.
- At the University of Stirling, [Leigh Sparks](http://www.stirlingretail.com/) (<http://www.stirlingretail.com/>) and colleagues are working on aspects of retail change and policy.

Author: [Leigh Sparks](http://www.stirlingretail.com/) (<http://www.stirlingretail.com/>)

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